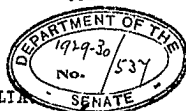


1930.



THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

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O'Halloran

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Clerk of the Senate.

7 AUG 1930

P A P E R

To be laid on the

T A B L E

of the

S E N A T E

R E P O R T

from the

JOINT COMMITTEE OF PUBLIC ACCOUNTS

on

THE GENERAL QUESTION OF TASMANIA'S DISABILITIES.

.....



COMMONWEALTH OF AUSTRALIA.

PARLIAMENTARY JOINT COMMITTEE OF PUBLIC ACCOUNTS.

I have the honor to present the Report of the Parliamentary Joint Committee of Public Accounts on The General Question of Tasmania's Disabilities, together with a copy of "The Case for Tasmania 1930."

As copies of "The Case for Tasmania" are already available in printed form, I move that the Report of the Committee only be printed.

1929-30.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Government Committee.)

(Appointed 22nd November 1929.)

MEMBERS: Mr. J. H. KELLY, Chairman.

Mr. J. H. KELLY, Chairman.

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Mr. J. H. KELLY, Chairman.

REPORT

ON

THE GENERAL QUESTION OF TASMANIA'S
DISABILITIES.

By Authority:

H. J. GIBBS, GOVERNMENT PRINTER, CANBERRA.

REPORT OF THE COMMITTEE OF PUBLIC ACCOUNTS

(Seventh Committee.)

(Appointed 22nd November, 1929.)

*FRANK EDMUND COLEMAN, Esquire, M.P., Chairman.

Senator JOHN BLYTH HAYES, C.M.G.

Senator ALBERT ALFRED HOARE.

†Senator MICHAEL RAPHAEL O'HALLORAN.

JOSEPH BENEDICT CHIPLEY, Esquire, M.P.

JOSEPH FRANCIS ESQUIRE, M.P.

SYDNEY LANK GARDNER, Esquire, M.P.

ROLAND FREDERICK HERBERT GREEN, Esquire, M.P.

The Honorable JAMES ALLAN GUY, M.P.

GEORGE EDWIN YATES, Esquire, M.P.

* Appointed Chairman 22nd November, 1929. Left Melbourne on 30th April, 1930, to represent the Commonwealth Government at the International Labor Conference, Geneva.

† Appointed Vice-Chairman 26th November, 1929. Appointed Acting Chairman 26th April, 1930.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

REPORT

THE GENERAL QUESTION OF TASMANIA'S DISABILITIES.

INTRODUCTION.

Under date the 6th December, 1929, the Honorable the Prime Minister (Mr. J. H. Scullin, M.P.), addressed the Chairman of the Parliamentary Joint Committee of Public Accounts in the following terms:-

From time to time representations have been made by the Tasmanian Government and by Tasmanian Members of the House of Representatives and Senators on the general question of Tasmania's disabilities.

The matter has been considered by Cabinet which has decided to invite your Committee to make a thorough investigation into such disabilities and to report thereon to the Government.

I shall be glad if steps can be taken to give effect to this decision.

COMMITTEE'S PROCEEDINGS.

To acquaint itself with the subject-matter of the inquiry the Committee proceeded to Tasmania in February last and made extensive official inspections of various parts of the State. Through the courtesy of Senator J. B. Hayes, C.M.G., the Honorable J. A. Guy, M.P., and the Tasmanian Government a special itinerary was drawn up so as to afford members of the Committee every opportunity of seeing the primary and secondary industries and of securing the best advice obtainable on all phases of the economic life of the State.

The names of the witnesses who appeared before the Committee are shown in Appendix G, page 63. Professor Torleiv Hytten, Professor of Economics, University of Tasmania, represented the Tasmanian Government throughout the inquiry.

BRIEF HISTORY OF FINANCIAL ASSISTANCE TO TASMANIA.

Before dealing with the "Case for Tasmania 1930" the Committee deems it desirable to review briefly the various claims made by, and the financial assistance rendered to, the State of Tasmania.

In 1912 a Royal Commission recommended a grant of £900,000 to be distributed over a period of ten years ending 30th June, 1922. The recommendations of the Royal Commission were adopted.

In 1919 the then Treasurer of the Commonwealth, at a conference of Commonwealth and State Ministers, outlined proposed reductions in the *per capita* payments made by the Commonwealth to the States; but in view of the peculiar position of Tasmania the Treasurer of that State was requested to submit a statement showing what effect the proposed *per capita* reductions and the cessation of special grants would have on the finances of the State. A memorandum was accordingly prepared setting out reasons why special consideration should be shown to Tasmania. It was pointed out that the financial resources of the State were already being taxed to a greater degree than those of any of the other States and that it would not be possible to make up any loss occasioned by a reduction of *per capita* payments or cessation of special grants without very serious consequences to the State. It was also submitted that the heavy loan expenditure on roads, bridges, harbours, &c., and the serious position of the State Railways already imposed a very heavy burden on the taxpayers.

In October, 1921, the Treasurer of Tasmania, when presenting the annual Financial Statement to Parliament, drew attention to the fact that the last instalment under the *Tasmanian Grants Act* 1913 would be paid during the then current financial year, and expressed the view that a strong case could be presented for the continuance of assistance. In this connexion the special benefits accruing to other States in the form of Commonwealth works and bounties were stressed.

It was also urged that the unfortunate position of the State railways and the relatively small return from public utilities rendered the financial position of Tasmania particularly difficult.

In 1923 the Premier of Tasmania in an appeal to the Commonwealth for financial assistance made a comprehensive survey of Tasmania's financial disabilities and dealt particularly with taxable capacity, heavy expenditure on development, and the persistent losses on the railways. In emphasizing the necessity for immediate relief the Premier claimed that Tasmania's weak financial position could not be attributed to lack of careful and economical expenditure of public moneys, or to failure on the part of the Government to impose bearable taxation.

The position was again reviewed and grants of £85,000 for each of the years 1922-23 and 1923-24 were decided upon.

In 1924 a further Grant Act was passed providing for payments on a diminishing scale, commencing at £85,000 for 1924-25 with reductions of £17,000 in each succeeding year. In addition, the Commonwealth surrendered to Tasmania £111,000 a year, representing Commonwealth tax on lottery prizes. Thus for 1924-25 Tasmania received £196,000.

In 1925 a special Committee was appointed by the Premier of Tasmania to inquire into and report upon the disabilities of Tasmania under Federation. The report embodied a comprehensive consideration of the financial relations of Tasmania and the rest of Australia, and dealt with costs of government, the incidence of Federal policy, loss of population, taxation, and other important influences affecting the economics of the State. In summing up the position the report reads:—

The particular disabilities cannot be met directly without serious breach in the general policy of the Federation; but it should not be difficult, without any departure from principle, so to vary the financial relations between the States and the Commonwealth as to give adequate relief to those States which have contributed by their losses in one way or other to the harvest which other States have indubitably reaped from Federation.

In 1926 a special case for Tasmania was prepared by a special Committee appointed by the Tasmanian Government, and a grant of £545,000 a year for ten years was sought. The main grounds stated for this grant were:—

- (a) High taxation and low taxable capacity.
- (b) Disabilities arising from Federal policy.
- (c) Loss of population.
- (d) Few benefits derived from Federation.

Following upon the presentation of the Case for Tasmania 1926, the then Premier prepared a statement based on the "Case" and pointed out the inability of Tasmania to continue as a self-governing State of the Federal Union unless it received substantial financial aid from the Commonwealth.

The Commonwealth Government appointed Sir Nicholas Lockyer to investigate Tasmania's claims. The latter made certain recommendations designed to assist the State, but imposed certain conditions involving Commonwealth supervision of expenditure.

Briefly stated, Sir Nicholas Lockyer recommended that:—

- (a) A loan of £1,000,000, free of interest, be made available to Tasmania by the Commonwealth in amounts as required, covering a period of ten years, for the purpose of further developing the agricultural and horticultural resources of the State, all expenditure to be subject to approval and supervision of the Commonwealth.
- (b) A special grant of £300,000 a year for ten years be made available by the Commonwealth, conditional upon certain reductions in State taxation on land and incomes.
- (c) A sum of £50,000 a year be made available by the Commonwealth (period to be determined) for the purposes of afforestation, expenditure to be subject to Commonwealth control.
- (d) A sum of £500,000 be provided to relieve Tasmania of part of the capital cost of the Hydro-electric scheme, in consideration of the assistance afforded by the State in the establishment of the electrolytic zinc industry in Australia, and in consideration of heavy import duties paid by the State on machinery and materials not manufactured in the Commonwealth.
- (e) A sum of £20,000 per annum be provided for ten years for the purpose of aiding geological survey, exploration, prospecting, and opening up track roads in the mineral territory of the West Coast of Tasmania.

(f) Special arrangements be made in regard to Commonwealth road proposals in

Tasmania, where it was desirable to concentrate more on road maintenance than on new construction. No further road construction was desirable, at present, other than that connecting Gormanston with the main road from Hobart to Lake St. Clair. If practicable a grant should be made for this connexion, the State to find 15s. for every £1 of the amount of such grant. As further road construction was undesirable, with the exception stated, the State should be allowed £25,000 a year for ten years towards the maintenance of State trunk roads under similar conditions to the allowance for the purpose of construction.

The conditions attaching to Sir Nicholas Lockyer's recommendations did not, however, meet with the approval of the State Legislature, which passed resolutions in the following terms:—

That the Legislative Council and the House of Assembly, in Parliament assembled, having taken into consideration the report of Sir Nicholas Lockyer on the financial conditions of Tasmania as effected by Federation, take strong exception to certain of the recommendations contained in the report, on the grounds:—

- (1) That they are in direct conflict with the terms upon which the State entered the Federation, and which, if given effect to, would destroy the right of the Parliament to make laws as a Sovereign State on matters outside the realm of Commonwealth jurisdiction;
- (2) That the amount of assistance allocated in the report for the purpose of enabling the State to meet its financial obligations is inadequate, in that it is substantially less than the amount shown to be necessary for that purpose in the case presented to Sir Nicholas Lockyer on behalf of the State Government.

On receipt of Sir Nicholas Lockyer's report the Commonwealth Government closely considered the financial position of Tasmania, and arrived at the conclusion that the position as set out in the "Case" had been overstated. Recognizing, however, that Tasmania was confronted with difficulties, particularly in relation to heavy losses on the railways, heavy loan expenditure on roads, bridges, harbours, &c., and decline in population, the Commonwealth Government decided to make a grant of £378,000 a year for 1926-27 and 1927-28.

The amount was arrived at as follows:—

	£
Interest and Sinking Fund on Railways debt	310,000
Existing grant without diminution	68,000
Total	378,000

The Commonwealth Government also made available to the Government of Tasmania the services of the Development and Migration Commission and the Council for Scientific and Industrial Research with the object of improving production. Including the grant of £100,000 for roads under the Federal Aid Roads Agreement and the £111,000 surrendered by the Commonwealth to the State in respect of taxation on lottery prizes the total of the special contributions for each of the years 1926-27 and 1927-28 was £559,000. For the year 1928-29 the grant was fixed at £220,000, arrived at thus:—

	£	£
Previous Grant	378,000	
Deduct—		
Estimated surplus 1927-28		40,000
Saving of interest through application of £1,320,000 of sinking funds to cancellation of debt under the Financial Agreement		73,000
Saving in special provision for railway depreciation		53,000
		166,000
		212,000
Add—		
Additional expenditure under recommendations of Development and Migration Commission		11,000
		223,000

The Tasmanian Treasurer agreed that £7,000 extra revenue could be raised by removing taxation anomalies and the grant was fixed at £220,000.

In May 1929, further representations were made by the Government of Tasmania for a grant of £460,000 a year made up, thus—

Existing Grant	£ 220,000
Anticipated deficit 1928-29	60,000
Railway depreciation	40,000
Road maintenance	100,000
Further sum to meet recommendations of Development and Migration Commission	40,000
Total	460,000

Of this amount it was desired that £390,000 be regarded as a fixed grant for ten years, the balance of £70,000 to be subject to annual adjustments.

Substantial assistance was also sought for flood relief. The proposals submitted were refused by the Commonwealth Government.

In August, 1929, the position was further discussed between representatives of the Commonwealth and Tasmanian Governments. After full consideration the Commonwealth Government decided to make a grant of £250,000 a year for five years. The present Government adopted this proposal subject to re-investigation by the Commonwealth Parliamentary Joint Committee of Public Accounts.

In February, 1930, the Joint Committee of Public Accounts commenced its investigation, proceeding to Tasmania for the purpose.

On the 25th February, 1930, the Premier of Tasmania (the Honorable J. C. McPhee, M.H.A.) presented to the Committee "The Case for Tasmania, 1930", the main features of which are traversed in this report.

The following additional figures were furnished by the Commonwealth Treasury—

BENEFITS TO TASMANIA FROM COMMONWEALTH REVENUE

REVENUE COLLECTED FROM TASMANIA BY COMMONWEALTH.

(Year 1928-29).

Direct taxation including £109,000 proportion on population basis of central office collections	£ 327,000
Customs and Excise—Actual collections in Tasmania	427,000
Customs and Excise—Allowances for duties collected in other States on goods consumed in Tasmania. If the consumption of dutiable goods in Tasmania were equal to the Australian average per head, the amount to be added for duties collected in other States would be	976,000
Other revenues	105,000
Total	1,835,000
Proportion of temporary advance to cover deficit (on population basis)	81,000
Total	1,916,000

EXPENDITURE BY COMMONWEALTH IN AND ON BEHALF OF TASMANIA.

Contribution towards interest on State debts	£ 207,000
Contribution towards sinking fund	30,000
Special grant (for 1929-30)	250,000
Grant for roads	100,000
Invalid and old-age pensions	495,000
War pensions	334,000
Maternity allowances	24,000
Interest on transferred properties	15,000
Loss on post office	92,000
Total	1,607,000
Departmental expenditure (including proportion of central office expenditure)	345,000
War interest and sinking fund, &c., after deducting interest repaid by States on loans for soldier settlement (on population basis)	701,000
Total	2,653,000

Benefit to Tasmania	£ 737,000
Of this amount in 1924 the Commonwealth gave up to Tasmania its taxation of lottery prizes which was equivalent to a permanent grant of	111,000
The net benefit to Tasmania is therefore	848,000

(Equal to approximately £3.18s. 3d. per head of population.)

EXPLANATORY NOTES BY THE COMMONWEALTH TREASURY.

Direct Taxation—£327,000—This includes £109,000, proportion on population basis, of income tax collected by the central office. If the contention of Professor Giblin as to taxable capacity be correct, then the proportion to be credited to Tasmania would only be about £59,000.

Customs and Excise—£1,403,000. This represents a proportion of the total receipts on a population basis. In 1924 the Tasmanian committee estimated that the consumption of dutiable goods in Tasmania per head was about 85 per cent. of the Australian average. On this basis the amount to be credited to Tasmania would be £1,193,000 or £210,000 less than the sum included in the statement.

Expenditure not included.—No amount has been included in respect of losses on railways, and the costs of territories of the Commonwealth. During the present year the Commonwealth has agreed to pay £5,000 to the berry growers and to pay £10,000 to continue the shipping service between Hobart and Sydney. These amounts are not included in the statement.

It will be noted that on the basis of this statement the net benefit to Tasmania is £848,000, which is equivalent to £3.18s. 3d. per head of population.

Apart from special grants Tasmania has received financial assistance by way of the *per capita* grant, the *Financial Agreement Act 1923*; the Federal Aid Roads Agreement; surrender of taxes on lottery prizes; and special assistance to industries. During the last five years the total amount of such assistance was as follows:

	Amount per head.	
	£.	s. d.
1925-1926	517,000	2 7 8
1926-1927	665,000	4 0 6
1927-1928	907,000	4 4 0
1928-1929	743,000	3 8 8
1929-1930	781,000	3 11 10

DETAILED STATEMENT.

	1925-26.	1926-27.	1927-28.	1928-29.	1929-30. (Estimate).	Total five years.
PAYMENTS FROM REVENUE:						
Capitation Payments	269,477	269,859	268,859	268,859	268,859	800,577
Contribution towards—						
Interest .. .. .	..	..	28,597	29,705	31,000	89,302
Sinking Fund .. .. .	..	..	7,511	7,511	7,511	22,533
Increased Interest on Transferred Properties	68,000	378,000	378,000	220,000	250,000	1,294,000
Special Grants	37,500	100,000	100,000	100,000	100,000	437,500
Road Grants .. .. .	..	..	..	..	..	..
Taxation on lottery prizes (equivalent to permanent grant of £111,000)	111,000	111,000	111,000	111,000	111,000	555,000
Sulphur Bounty	4,597	5,348	6,102	4,183	4,000	24,230
Canned Fruit Bounty	1,149	..	632	..	..	1,781
Shale Oil Bounty .. .. .	..	705	427	..	..	1,132
Shipping Subsidy—Hobart and Sydney Assistance to Primary Industries—	..	..	..	..	2,000	2,000
Canned Fruits	825	513	..	..	..	1,338
Hops	24,540	32	..	..	..	24,572
Herd Testing .. .. .	..	180	669	745	902	2,496
Publicity (apples, &c.) .. .. .	..	3,000	7,500	3,355	2,780	16,635
Berry Growers .. .. .	..	..	..	..	5,000	5,000
Total	517,088	865,637	907,297	745,338	781,062	3,814,432

* In addition a loan of £25,000 to assist apple growers was made to the Tasmanian Government, free of interest, repayable over a period of five years.

THE CASE FOR TASMANIA, 1930.

The Case for Tasmania 1930, which was prepared by a special Committee appointed by the State Government, was presented to the Committee in Hobart on the 26th February, 1930, by the Honorable J. C. McPhee, M.H.A., Premier and Treasurer of Tasmania. In submitting the "Case", Mr. McPhee said:—

I would point out that the claim for a special grant of £543,000 from the Commonwealth embodied in the statement I am submitting is an absolute minimum, without which the State must gradually sink into greater financial difficulties. We are carrying on only by charging to loans a great deal of expenditure which should come out of revenue unless the solvency of the State is to be impaired. It must be clear to you that we have not been extravagant. The cost of Government is considerably lower than that of the other States, and, even with the burden of the extra charges mentioned, the loan expenditure has been remarkably small during the last five years. The Government of the State cannot raise the revenue to meet its liabilities as they arise, and it is improbable that there will be any great improvement in this respect in the near future.

The claim for £543,255 is made up thus:—

Estimated Deficiency in Consolidated Revenue	22,200
Railway Replacement and Depreciation Fund	50,000
Soldier Settlement—	
Estimated loss (say)	75,000
Annual loss on buildings	15,000
Roads, Bridges, &c.—Estimated additional expenditure (as estimated for 1928-29)	90,000
Sorell Railway—Contribution to liquidate loss on realization	103,000
Hydro-Electric Department—Stores adjustment	1,668
Provision to reimburse Trust and Loan Funds in respect of accumulated Revenue Deficiency (£203,868)	6,000
	20,387
Total Estimated Deficiency 1929-30	293,255
Add amount of existing grant	250,000
	543,255

It was pointed out in evidence that no allowance was made in the claim for the extra sums necessary to write down the capital of the railways and that no assistance was sought on account of additional expenditure undertaken by the State on the recommendations of the Development and Migration Commission. At present over £30,000 per annum was being expended on this account. A higher rate of expenditure, it was stated, was very desirable, but present financial conditions rendered further provision impossible.

REVENUE AND LOAN EXPENDITURE.

The following figures were submitted in evidence to show the relative position, on the basis of population, of the States in respect of expenditure from Revenue, Loan Fund, and Revenue and Loan Fund combined:—

Period: 1919-20 to 1928-29.

	Revenue.	Loan.	Revenue and Loan Combined.
	£ s. d.	£ s. d.	£ s. d.
New South Wales	17 6 2	4 18 11	22 5 1
Victoria	14 2 11	5 8 7	19 11 6
Queensland	17 6 9	4 6 5	21 12 2
South Australia	17 13 6	8 15 8	26 8 2
Western Australia	23 6 8	10 0 0	33 6 8
Tasmania	11 14 11	4 11 11	16 6 10
All States	16 12 4	5 12 11	22 5 3

The figures quoted represent the average yearly expenditure for the period indicated:

A comparison of the figures shows that the expenditure of Tasmania under each head is well below that of the other States, the only exception being that Queensland's loan expenditure is slightly lower than that of Tasmania.

LOAN EXPENDITURE.

It was submitted in evidence that every endeavour was made to restrict Loan expenditure to the lowest possible limits. The moderation of loan expenditure during recent years may be gauged from the following comparative figures:—

Five years' Loan Expenditure per head of Population 1924-25 to 1928-29.

New South Wales	£ 25
Victoria	24
Queensland	19
South Australia	47
Western Australia	56
Tasmania	8
Six States	27

CONSOLIDATED REVENUE FUND.

According to the "Case" the position of the Consolidated Revenue Fund at 30th June, 1929, was as under:—

Revenue deficit at 30th June, 1929 (excluding amount funded)	£ 203,868
Deferred charges—	
Closer Settlement	13,338
Railways	204,288
State Ships—loss on realization	64,737
Soldier Settlement	321,884
Hydro-Electric Department	78,276
Tasmanian Smelting Co.—loss on loan	5,633
	892,024

COST OF GOVERNMENT.

(Per head of population.)

It was claimed in evidence that the financial difficulties of the Government of Tasmania could not be ascribed to extravagant expenditure, and that the lack of revenue had forced Tasmania to adopt a far lower level of Government expenditure than the other States. In support of this contention the following figures for 1927-28 were submitted to the Committee:—

	Education.	Hospitals and Charities.	Police.	General Government.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Average all States	1 14 5	0 18 5	0 11 0	2 18 0	6 1 10
Tasmania as a percentage of all States	85.2	97.3	77.3	68.1	78.1

(For details of all States see page 13 of the "Case".)

It was submitted in evidence that it was not desirable that any one State should come much below the Australian standard in social and fundamental services. It was also claimed that Tasmania's inability to provide adequately for the services named resulted in a constant migration of trained men and women from the State. This trend, it was stated, was particularly noticeable amongst teachers trained in Tasmania.

COST OF DEVELOPMENT.

It was claimed in evidence that, owing to the natural configuration of Tasmania, the cost of development, particularly transport development, was relatively high. Unfortunately the return for expenditure on roads, railways and land settlement had not been met either by direct revenue or tax revenue from greater production. The following figures (last five years) relating to business undertakings in the six States showed the weakness of Tasmania's position in comparison with the other States:—

State.	Per head of Population.			Comparison of Profit with average Profit of all States.
	Revenue.	Working Expenses.	Profit on Working.	
	£ s. d.	£ s. d.	£ s. d.	
New South Wales	10 4 7	7 7 3	2 17 4	118.6
Victoria	8 10 3	6 6 8	2 3 7	90.2
Queensland	8 6 2	7 2 6	1 3 8	49.0
South Australia	9 13 10	8 19 8	2 14 2	112.1
Western Australia	13 2 8	9 0 7	4 2 1	169.7
Tasmania	3 19 1	3 4 1	0 15 0	31.0
All States	9 17 6	6 19 2	2 8 4	100.0

This showed that the business undertakings of Tasmania returned only 31 per cent. of the average of all States.

It was also submitted in evidence that the net annual cost per head of population of developmental utilities in Tasmania in 1927-28 was £3 1s 11d., as compared with the average of 5s. 10d. for all States. Thus Tasmania was at a disadvantage to the extent of £2 18s. 1d. per head of population.

TAXATION.

With regard to taxation a considerable amount of statistical and other information was placed before the Committee with the object of showing (a) the burden of taxation borne by each State, and (b) the capacity of each State to pay tax. The following figures for 1928-29 are informative:—

	All direct taxation including motor tax per head.	Income Tax per head.
	£ s. d.	£ s. d.
New South Wales	5 10 10	3 0 0
Victoria	4 1 3	1 12 9
Queensland	5 11 11	3 0 2
South Australia	6 10 1	2 19 11
Western Australia	4 10	1 11 9
Tasmania	5 2 8	1 8 7
Average all States	5 2 7	2 9 7

* Includes taxation from lotteries. Excluding this tax Tasmania's direct taxation per head would be £3 1s 11d.

Direct Taxation expressed as a percentage of the value of production of the previous year (1928-29).

	£ s. d.
New South Wales	7.40
Victoria	8.99
Queensland	8.02
South Australia	9.37
Western Australia	5.07
Tasmania	8.86
All States	7.16

It will be noted that Tasmania is, on this basis, taxed more heavily than the other States, South Australia excepted.

STATE INCOME TAX.

Net Income after allowance of all deductions except Statutory exemption.	£300.	£500.	£750.	£1,000.	£2,000.	£3,000.	£4,000.	£5,000.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
PERSONAL EXEMPTION.								
New South Wales	1 12 1	9 0 9	20 11 6	34 12 3	115 17 1	225 12 6	364 3 4	634 7 6
Victoria	2 1 8	9 6 0	19 15 10	29 15 10	71 17 6	120 0 0	185 0 0	215 0 0
Queensland	1 15 2	12 4 0	32 11 8	60 0 0	180 0 0	360 0 0	600 0 0	780 0 0
South Australia	2 6 0	14 11 8	27 18 6	44 10 7	143 9 8	294 10 7	497 13 1	752 17 3
Western Australia	2 16 8	6 13 4	13 12 11	23 1 1	85 0 0	185 16 8	325 11 1	504 3 4
Tasmania	5 3 1	10 3 1	18 5 3	28 2 6	87 10 0	178 2 6	248 19 2	319 15 10
PROPERTY INCOME.								
New South Wales	2 1 5	11 17 9	27 10 6	46 18 3	162 1 11	320 12 6	522 10 0	771 17 6
Victoria	4 3 4	12 10 0	39 11 8	69 11 8	143 15 0	240 0 0	380 0 0	420 0 0
Queensland	3 7 5	20 6 9	47 16 0	80 0 0	200 0 0	360 0 0	600 0 0	780 0 0
South Australia	12 10 0	27 1 8	48 4 9	72 13 1	202 17 3	385 3 1	619 16 7	905 19 9
Western Australia	2 16 8	6 13 4	13 12 11	23 1 1	85 0 0	185 16 8	325 11 1	504 3 4
Tasmania	5 16 5	12 0 1	25 6 3	43 17 9	157 15 7	245 5 7	332 15 7	420 5 7

It will be observed that the tax paid on the higher incomes in Tasmania is lower than that paid in most of the other States. On the other hand the lower incomes in Tasmania bear a higher tax than those of other States, South Australia excepted.

In reply to suggestions that income taxation in Tasmania should be brought up to the Australian average it was claimed that as Tasmanian taxation was still higher than that of the mainland States, having regard to taxable capacity, it would not be wise to impose a further burden on the people. It was stated that during the period 1924-1926, when the State Government was compelled to impose heavy taxation, the loss of population became alarming. It was also

submitted that calculations showed that, if the higher incomes in Tasmania were taxed in accordance with the Australian average, not more than £15,000 per annum could be raised by that means, and that if the Australian standard were applied to all incomes in Tasmania it would involve a loss of £800 per annum, because the lower incomes produced a large percentage of the total tax and were taxed much more heavily than those of the other States, South Australia excepted.

The following figures throw an interesting light on the distribution of income tax in Tasmania:—

1927-1928.				
Taxable Income.	Taxpayers.		Tax.	
	Number.	Per cent. of Total.	Amount.	Per cent. of Total.
Under £200	14,704	60.34	29,727	18.56
£200 to £250	2,795	11.47	10,900	6.80
£150 to £200	1,614	6.62	7,978	4.98
£200 to £250	1,784	7.32	11,801	7.37
£250 to £300	988	4.06	9,830	6.14
£300 to £350	1,498	6.13	22,932	14.32
£350 to £400	325	1.33	6,112	3.69
£400 to £450	641	2.63	48,477	30.26
£450 to £500	20	.08	6,540	4.08
£500 to £10,000	16	.02	2,882	1.80
£10,000 and over				
Total	24,369	100.00	160,179	100.00

Of the total taxpayers about 90 per cent. have taxable incomes under £500 per annum and 60 per cent. have less than £200. These two grades contribute respectively 44 per cent. and 19 per cent. of the revenue from this source. Only 25 persons have incomes above £4,000 and of these only five have incomes above £6,000 and none above £10,000. In Victoria in 1924-25 (latest figures available) only about 80 per cent. of the taxpayers had incomes of £500 or under, and they paid only 22 per cent. of tax.

COMPANIES TAX.

The following table submitted in evidence shows an approximate comparison in respect of ordinary companies:—

	Approximate Rate.	Tax on Profit of £1,000.	Tax on Profit of £5,000.
New South Wales	2s. to 2s. 9d.	£104	£487
Victoria	1s. 7d.	£79	£399
Queensland	1s. 6d. to 3s. 7d.	£75 to £180	£375 to £900
South Australia	1s. 2s. to 3s. 9d.	£83	£393
Western Australia	1s. 6d.	£72	£359
Tasmania	1s. 6d.	£76	£375

In the case of Queensland higher rates up to 4s. 6d. are imposed on certain companies.

LAND TAX.

The following table shows the tax payable on land of the unimproved value of £1,000 and £5,000 respectively:—

	On £1,000.	On £5,000.
	£ s. d.	£ s. d.
New South Wales	2 3 9	10 18 9
Victoria	4 7 6 to	93 0 0 to
Queensland	12 0 0	134 0 0
South Australia	3 18 1	19 10 7
Western Australia	4 0 0 to	20 0 0
Tasmania	3 2 6	28 12 11

* Land taxation has been given up to local governing bodies.

ESTATE DUTIES.

The following table shows the duties payable in respect of estates passing to widow and children:—

	On £10,000.	On £10,000.	On £10,000.
New South Wales	£ Nil	450	5,000
Victoria	10	500	3,800
Queensland	20	633	5,168
South Australia	19	937	3,875
Western Australia	10	340	2,600
Tasmania	Nil	425	3,900

MOTOR TAXATION.

Motor taxation in Tasmania was the lowest of all States. According to the evidence, however, steps were being taken by the State Government to bring motor taxation in Tasmania up to the Australian average. This, it was estimated, would produce an additional £19,000 per annum.

TAXABLE CAPACITY.

It was strongly represented in evidence that any investigation of the financial disabilities of Tasmania must necessarily take into account the question of taxable capacity, having regard to the material prosperity of the State in relation to the average prosperity of the Commonwealth. It was contended that the taxable capacity of Tasmania was far below the Australian average. In support of this contention the following figures were submitted to the Committee:

RELATIVE TAXABLE CAPACITY.

	Income Tax 1927-28.	Land Tax 1927-28.	Land Tax 1928-29.
New South Wales	115	114	106
Victoria	110	110	108
Queensland	70	76	88
South Australia	84	85	92
Western Australia	81	74	83
Tasmania	64	47	56
Six States	100	100	100

It would be observed that, taken over the whole period, the average level of Tasmania was just a little over half the taxable capacity of the Commonwealth. The Tasmanian figures also revealed a steady and persistent deficiency in income. A persistent deficiency in income was, it was claimed in evidence, in itself the most valid and convincing evidence of the need for Federal assistance, and between States was a fair measure for the relative need for it. It was further stated that the measurement of financial disability in the manner indicated was not an academic theory, as it was an old established principle which had been the basis of many practical measures. Taxable capacity was, it was submitted, the chief determinant in the financial settlement between Great Britain and Northern Ireland. Moreover, it played a great part in the British basis of local government grants as settled by the *Local Government Act 1929*. It was explained that in arriving at relative taxable capacity Federal income tax assessed was used as the basis of calculation, for the reason that Federal Income Tax was a uniform tax administered uniformly in all States. Set out below is a table showing the Federal tax assessed per head of population in each State for 1927-28, and index numbers proportional to these amounts when the average of the whole Commonwealth is taken at 100:—

Federal Income Tax Assessments per Head on Income of the year 1927-28.
(Excluding Central Office Assessments).

	s.	d.	
New South Wales	22	10	115
Victoria	22	0	110
Queensland	14	0	70
South Australia	16	10	84
Western Australia	16	3	81
Tasmania	10	9	54
Six States	19	11	100

The outstanding feature was that in Tasmania the uniform tax uniformly administered produced less than half as much revenue in proportion to population as in Victoria or New South Wales, and only just over half as much as the average for the whole Commonwealth. In other words, if the States had all to raise a certain revenue from taxation, say £4 per head of population, Tasmania would have to impose rates twice as high as the average of the six States—i.e. in the £ instead of 6d., 2s. instead of 1s., and so on.

Expert witnesses who appeared before the Committee expressed the view that it was very doubtful whether the taxable capacity of the States could be accurately measured by selecting one field of taxation only, viz., Federal Income Tax, as a basis of computation. Opinions were advanced that all taxation, direct and indirect, should be taken into account. If this were done it was claimed that the taxable capacity of Tasmania would be much greater than that reflected in the figures submitted to the Committee. In reply to this contention the following evidence was placed before the Committee:—

All direct taxes are in fact paid out of income though not assessed on income, and a measure of ability to pay income tax is a measure of ability to pay all direct taxes, on whatever basis they are assessed. If two States were precisely the same in population and income, but one had no freehold tenure, this one would have no capacity at all to pay land tax, and a very small capacity to pay estate duty; but its real capacity to pay direct taxation of any kind would be just as great as the State with freehold tenure. Only the taxation revenue would have to be raised by other means than land tax, and estate duty would need to be at a nominally much higher rate than was necessary in the other State. This consideration, I believe, completely removes any difficulty in accepting income tax as a basis of taxable capacity for all the uses made of taxable capacity in connection with Tasmanian disabilities. It happens, moreover, in the case of Tasmania, that land tax and estates duty give almost the same result as income tax.

The figures submitted in evidence were as follow:—

Land Tax-paying Capacity, 1925.

	Index.
New South Wales	129
Victoria	104
Queensland	44*
South Australia	116
Western Australia	97
Tasmania	58

Six States .. 100

* Due to limitation of freehold.

The use of the above figures was only to measure the relative revenue per head which could be raised by a given schedule of land tax rates.

Relative Capacity to pay Estate Duty, 1927-28 and 1928-29.

	Index.
New South Wales	122
Victoria	118
Queensland	48*
South Australia	67
Western Australia	80
Tasmania	58

Six States .. 100

* Influenced by system of land tenure.

In support of the contention that the measure adopted for determining taxable capacity may be accepted as a fair one in determining the financial disabilities of Tasmania, the following extract from the address of Mr. H. S. Nicholas, Counsel to the Royal Commission on the Constitution, was submitted to the Committee:—

Here, however, you have a test which can be followed with reasonable accuracy and justice; that is, the test of taxable capacity prepared by Major Giblin and approved by Professors Bridden, Copland and Mills and Mr. Wickens. You can tell from that how far a State is in a position to help itself, and since the cost of such services as education is uniform, or at least ascertainable, you may form an idea of its ability to carry out its functions.

It was claimed in evidence that taxation fell with greater severity on Tasmania than on any of the other States. In this connection the following tables were submitted:

SEVERITY OF STATE TAXATION

(Omitting Lottery and Motor Taxation.)

	1924-25	1925-26	1926-27	1927-28	1928-29	Average
New South Wales	91	88	99	96	93	
Victoria	71	74	89	89	72	
Queensland	180	161	167	164	170	
South Australia	113	136	123	160	135	
Western Australia	125	140	104	109	117	
Tasmania	280	232	174	183	188	
Six States	100	100	100	100	100	

In relation to the above figures the following evidence was tendered:—

It will be seen that throughout the last five years Tasmania has very amply satisfied the condition of taxing herself with considerably greater severity than the average for Australia. The average Tasmanian severity for the last five years has been nearly double the Australian average and more than double that of Victoria and New South Wales. For 1928-29 it was more than 50 per cent. greater than the average. It will be noticed that the severity was still higher in 1924-25. It was then that the financial position was becoming acute, and the State imposed very heavy income and other taxation. On small and moderate incomes the tax was considerably heavier than in any other State, and the consequent severity was more than twice the Australian average. It appeared in the event that taxation had overstepped the economic limit; the depression grew worse, and the exodus of population to the mainland reached unprecedented figures. It was accordingly proposed by the State, and approved by the Commonwealth, that some part of the increased Federal grant in 1926-27 should go to relieve to some extent this excessive taxation. This was done, but the severity of taxation is still 50 per cent. above the average.

The manner in which severity of taxation is measured is explained in evidence thus:—

Severity of State taxation cannot be measured by the rates imposed because there are several kinds of tax, of which income tax, estate duty and land tax are the chief, and we need a measure of the combined effect. Further, each of these taxes is graded on different scales in each State, with different methods of assessment and different exemptions and abatements, so that comparison of rates is little help. We must, therefore, take the total proceeds of all State taxes per head of population, and consider them in comparison with the taxable capacity of each State, which the uniform Federal income tax allows us to measure accurately. The same effective rate of tax will clearly produce twice as much revenue per head where the taxable capacity is twice as great. If then we take the total tax revenue per head in a State and divide it by the taxable capacity, we get a proper measure of severity of taxation. It will be convenient to make this equal to 100 for all States combined, and compute the measure for each State in proportion.

As the question of taxable capacity and severity of taxation is a very important and somewhat abstruse, and is one which is sure to arise in connection with all future investigations concerning financial adjustments between the Commonwealth and the States, the opinions expressed by the various expert witnesses who appeared before the Committee are set out in the form of an appendix on page 50 of this report.

FINANCIAL AGREEMENT BETWEEN THE COMMONWEALTH AND THE STATES.

It was claimed, on behalf of Tasmania, that the Financial Agreement had operated to the disadvantage of Tasmania. The disadvantages were stated thus:—

The operation of the Agreement having had the effect of reducing the former contributions to the sinking funds and interest accretions to same, out of revenue by approximately £132,000, the Commonwealth Government used this as the chief reason to reduce its former special grant to Tasmania by £132,000 instead of allowing the State to have the so-called "savings" £43,000 in order to carry out the cost of certain recurring works to Revenue instead of Exchequer. Under the Financial Agreement the division between the States of Commonwealth contributions towards interest was fixed for over fifty years on what is practically a per capita basis. This and two other States have urged that a per capita basis is inequitable in a Federation such as the Australian States and that was the contention of Tasmania's first and subsequent cases.

In reply to the objections raised the following evidence was tendered on behalf of the Commonwealth Treasury:

The sum of £132,000 is arrived at thus:—	
Reduced redemption provision charged to revenue of Tasmania	70,000
Reduced interest account	62,000
	132,000

The amount of £62,000, described as "reduced interest account" represents the savings on the Tasmanian Budget through the application of about £1,100,000 of sinking funds to cancellation of debt. This saving was taken into consideration in arriving at the grant for 1928-29, and the Premier of Tasmania agreed to this course. It must be remembered, however, that the payments of the Commonwealth under the Financial Agreement represent a benefit to Tasmania of £25,000 compared with payments under the Surplus Revenue Act, and that Tasmania showed a surplus of £95,000 for the year 1927-28 notwithstanding the reductions in taxation. Therefore, it is not correct to say that the saving in sinking fund provisions under the Financial Agreement was the chief reason for the Commonwealth reducing the former grant by £132,000.

The Financial Agreement made provision for properly safeguarded sinking funds for the States' debts on a uniform basis. The agreement was signed by the Government of Tasmania and approved by the Parliament of Tasmania. In view of the relief to the revenue account of Tasmania, taxation was reduced in 1927-28 by £85,000. In determining the grant for 1928-29 the Commonwealth took no exception to this reduction and the grant was not affected thereby.

The second disadvantage under the Financial Agreement relates to the contributions towards interest. It is stated that this is practically a per capita basis and that it operates to the disadvantage of Tasmania. The basis of the Commonwealth contribution towards interest was the subject of much discussion. The basis chosen was unanimously agreed upon by the parties concerned as being one which would cause least disturbance to the Budgets of the States. It was contemplated that if any State suffered disability by this basis then that State should make representations to the Commonwealth for special assistance. As far as Tasmania is concerned the per capita basis has never really operated since 1912. Tasmania has received more from the Commonwealth far in excess of her share of per capita payments. As a matter of fact for many years the special payments have actually exceeded the per capita payments. The discontinuance of the sinking fund provisions referred to was a matter entirely within the discretion of Tasmania and it resulted in savings to the Budget which were passed on to the people of Tasmania by reduced taxation. The Commonwealth did not force this action on the State.

TRANSPORT.

STATE RAILWAYS.

The financial position of the Tasmanian Railways is causing the Government great concern. The following figures covering the transactions for the six years ended 30th June, 1929, provide an interesting summary and show clearly the increasing burden on the taxpayers of the State:—

	1923-24	1924-25	1925-26	1926-27	1927-28	1928-29
Number of miles open	673	673	673	658	658	653
Capital cost of construction and equipment of lines open	£ 6,374,783	£ 6,416,193	£ 6,450,185	£ 6,486,108	£ 6,503,280	£ 6,494,003
Working expenses	550,185	531,590	504,038	551,192	573,885	563,652
Interest charges	263,353	279,829	283,799	285,255	284,076	284,185
Total Annual Cost	813,343	811,419	787,837	836,447	857,961	847,837
Gross Revenue	810,468	7,548,256	645,191	639,552	554,293	503,805
Deficiency debited to Consolidated Revenue	227,875	263,163	242,646	237,095	303,668	344,032

For the six years indicated the total loss amounted to no less than £1,678,500. Unfortunately the losses were not confined to recent years, for the official accounts disclosed deficiencies ever since the inception of the railways. Up to the year 1926, however, it was possible to meet a small proportion of interest out of earnings, but since that year the revenue had not been sufficient to cover working expenses. The loss on working account, including interest, from the inception of the railways to the 30th June, 1929, was £5,592,880, which represented 86 per cent. of the capital expended on the railways. The true position was even more serious than the figures quoted revealed, because, owing to shortage of funds, no provision was made for replacements and depreciation until the year 1926-27 when £52,500 was provided. For the years 1927-28 and 1928-29 amounts of £53,000 and £10,000 respectively were appropriated for replacements and depreciation, but no provision was made for 1929-30.

In addition to these amounts it was pointed out in evidence that the railways debt of £6,494,000 had been reduced by £666,000 by the application of sinking funds to debt redemption and that the amount so applied was really in the nature of provision for depreciation.

The following figures which were submitted in evidence and which were based on earning capacity further demonstrate the unsound position of the railways of Tasmania:—

AUSTRALIAN STATE RAILWAYS, 1919-1920 TO 1928-1929.

State.	Average Total Capital.	Surplus Capital.	Percentage of Surplus Capital to Total Capital.
	£	£	
New South Wales	99,000,000	12,000,000	12
Victoria	67,000,000	15,000,000	22
Queensland	51,000,000	33,000,000	65
South Australia	24,000,000	10,000,000	42
Western Australia	20,000,000	6,000,000	30
Tasmania	6,000,000	5,000,000	83
All States	267,000,000	81,000,000	30

While the average surplus capital of all States represented 30 per cent. of the total capital the surplus capital of Tasmania was no less than 83 per cent. of the total capital expended on the Tasmanian railways.

The following comparative figures for 1928-29 were also submitted in evidence for the consideration of the Committee:—

State.	Profit or Loss (—) on Working.	Loss after paying Interest.	Loss per head of population.
	£	£	s. d.
New South Wales	4,637,566	1,039,386	8 6
Victoria	3,035,762	462,657	5 2
Queensland	1,955,846	1,603,980	35 0
South Australia	184,641	1,182,166	40 10
Western Australia	744,318	178,699	8 10
Tasmania	—69,797	343,351	31 9
All States	9,908,326	4,800,239	15 2

MAINTENANCE.

State.	Capital Value of Rolling Stock as at 30th June, 1929.	Maintenance of Rolling Stock 1928-29.	Maintenance as Percentage of Capital.
	£	£	
New South Wales	25,074,551	3,448,215	13.8
Victoria	13,683,496	1,567,247	11.5
Queensland	11,440,053	1,124,239	9.8
South Australia	7,555,296	891,970	11.8
Western Australia	4,645,300	486,400	10.4
Tasmania	1,212,212	68,103	5.6
All States	63,620,908	7,586,164	11.9

It will be seen that Tasmania would have to find an additional £77,000 per annum to bring her up to the average of the six States.

AVERAGE EXPENDITURE PER YEAR ON MAINTENANCE OF ROLLING-STOCK (INCLUDING DEPRECIATION) FOR THE FIVE YEARS 1924-25 TO 1928-29.

State.	Average Capital Value of Rolling Stock.	Maintenance of Rolling Stock.	Maintenance as Percentage of Capital.
	£	£	
New South Wales	20,549,625	3,068,933	15.0
Victoria	13,199,170	1,794,800	13.6
Queensland	10,321,229	1,108,002	10.7
South Australia	6,916,925	1,435,092	20.8
Western Australia	4,399,977	434,319	9.9
Tasmania	1,182,897	91,272	7.7
All States	56,568,823	7,932,418	14.0

OTHER COUNTRIES.

New Zealand	10,163,349	1,284,818	12.5
South Africa	23,872,153	4,220,603	17.7

It will be observed that Tasmania would have to nearly double her maintenance expenditure to reach the average of all States.

MAINTENANCE EXPENDITURE ON ROLLING-STOCK, PERMANENT WAY AND WORKS FOR PERIOD 1924-25 TO 1928-29.

State.	Average Capital Invested.	Average Maintenance Expenditure.	Maintenance as Percentage of Capital.
	£	£	
New South Wales	111,733,193	5,355,301	4.80
Victoria	70,661,580	3,834,100	5.43
Queensland	56,624,443	2,619,532	4.63
South Australia	27,475,293	2,470,974	9.00
Western Australia	20,923,389	1,082,317	5.17
Tasmania	6,454,725	233,878	3.62
All States	293,872,603	15,596,102	5.3

OTHER COUNTRIES.

New Zealand	47,839,324	2,384,531	4.98
South Africa	123,419,773	7,288,237	5.91

The Tasmanian percentage for total maintenance shows that her annual provision is £109,000 lower than the average of all States.

It was explained in evidence that the expenditure on the maintenance of rolling-stock had been kept at a low level, not because there was obsolete rolling-stock no longer in use, nor because the working conditions of the railways in Tasmania were lighter than elsewhere, but because the Treasury, which had to defray the railway deficit, could not afford to provide for higher expenditure. The result was that the Tasmanian Railway Department had rolling-stock in use which should have been scrapped 25 years ago. One engine still in use was built in 1874; another was built in 1875. Of a total of 89 engines in commission no fewer than 50 were built more than 30 years ago. Similarly more than 130 carriages out of a total of 186 were more than 30 years old. Of these 17 were built in 1873 and 22 were taken over from the Main Line Company in 1891. Probably none of these was constructed later than 1876. Altogether there were 85 coaches in commission which were built before 1890. Obviously these carriages were not as comfortable as they might be, but lack of funds had rendered the provision of better accommodation impossible. Although a great deal of the rolling-stock was very old, it was still being used and was naturally a great handicap to economical working. The Transport Committee appointed by the Development and Migration Commission came to the conclusion that accrued depreciation of rolling-stock amounted to £490,500, or over 41 per cent. of its capital value.

Other factors operating against the success of the railways were low recuperative power, short hauls, steep grades, large percentage of low grade traffic, small population, and serious motor competition.

With a view to reducing the losses on the railways certain lines had been closed. These included the Sorell line, the line between Melrose and Barrington and the North-East Dundas Tram from Nickel Junction to Williamsford. It was stated that the position of other lines was being investigated by the Railways Commissioner so that the Government might review the position.

It was stated in evidence that the Commissioner for Railways contemplated the purchase of a number of Sentinel-Cammell steam-driven rail cars, which were light units that would enable the department to provide better services for passengers at far lower costs than at present. The actual running costs of these cars, with accommodation for 56 passengers, would be 11½d. per mile, and with a trailer, doubling the passenger accommodation, 1s. 3½d. per mile. These figures included provision for writing off in fifteen years. The costs of the trains now being run amounted to more than 3s. 6d. per mile, without provision for depreciation. It was further stated that ten Sentinel-Cammell cars, costing £4,700 each, would enable the department to do away with uneconomical passenger trains and to run more attractive services. Moreover, these cars were strong enough to pick up one or two trucks, and would make it possible, in some instances, to reduce the running of goods trains on branch lines, and to provide better service at much lower cost. It was also pointed out that there was a heavy duty on these rail cars amounting to 42 per cent. ad valorem, and, in view of Tasmania's circumstances, it was thought the English cars might be allowed to enter duty free.

As to future prospects of the railways the Railways Commissioner in his last annual report made the following observations:—

"In view of the existing general trade depression and the calamitous period through which we have just passed, it is very difficult to strike an optimistic note in regard to the future of these railways. Neither is it any satisfaction to reflect that this statement is more or less true with respect to railways generally throughout the world. This is not due to any failure on the part of the railways to handle passenger and goods traffic in an expeditious and satisfactory manner, but rather to modern developments in regard to motor transport. Every effort is made, within the limits of expenditure under the control of the management, to reduce costs to a minimum, but any considerable reduction in expenses can only be brought about by the curtailment of services or the closing of additional branch lines. Whilst this policy would perhaps result in a somewhat improved railway balance-sheet, it is probable that it would be detrimental to the interests of the State as a whole."

ROADS, BRIDGES, ETC.

The amount of £103,044 sought by the State is made up thus:—

(a) Renewal of bridges and culverts charged to Loan Account ..	£ 33,086
(b) Road maintenance required, but not performed on account of lack of funds ..	30,000
(c) Amount expended on reconstruction under the Federal Aid Roads Scheme, and charged to Loan Account ..	39,958
	<hr/> 103,044

The sum of £33,086 for (a) represented the average annual expenditure for the five years ended 30th June, 1928. It was claimed in evidence that expenditure of this nature should be met out of Revenue.

As to (b) it was submitted in evidence that the estimate was conservative. On a calculation based on increased traffic an additional amount of £75,000 would be required to keep the roads in the same condition as they were in 1919. To provide for maintenance at the 1919 standard an amount of £140 per mile per annum was necessary. This would involve a total expenditure of £140,000 per annum, but, in view of the financial position, the Director of Public Works prepared the following estimate, which, although falling far short of the previous standard, would, it was stated, prevent the roads from falling into a worse state:—

Arterial roads—750 miles at £100 per mile ..	£ 75,000
Trunk roads—250 miles at £80 per mile ..	20,000
	<hr/> 95,000
Amount available ..	65,000
Amount sought from Commonwealth ..	<hr/> 30,000

With regard to (c), it was pointed out that £39,958 represented the average annual amount spent by the State from Loan Fund under the Federal Aid Roads scheme for the past five years. This, it was claimed, was also work which should be charged to Revenue, being in reality nothing more than repair work. Commenting upon this matter the Transport Committee of the Development and Migration Commission in its report said that "however justifiable this may be from a traffic point of view, the practice of utilizing loan funds for works of this nature is unsound."

The evidence indicated that the construction and maintenance of roads in Tasmania had imposed a heavy financial burden on the State. The mountainous nature of the country, the heavy rainfall and the consequent necessity for making substantial roads, had made the cost of construction relatively heavier than that of the other States. According to figures submitted to the Committee, the loan expenditure of Tasmania to 30th June, 1928, on roads, bridges, harbours and rivers was £29 9s. 4d. per head of population as compared with an average of £10 19s. for the five mainland States. The inability of the State to find money for roads from revenue had, of course, aggravated the position. In the report of the Internal Transport Committee of the Development and Migration Commission appear the following comments:—

Tasmania's splendid road system is the best asset the State possesses of all works provided from expenditure of public funds. The asset is suffering a very serious depreciation through the advent of the motor vehicle, the insufficiency of funds for maintaining its efficiency, and the consequent absence of a system of continuous maintenance.

The Internal Transport Committee also formed the opinion that the roads maintenance problem, if not solved in the near future, would develop to a dangerous magnitude. According to evidence submitted the general policy with regard to the maintenance of roads was that the State and Municipalities jointly maintained main roads and the Municipalities solely maintained local roads. Towards the maintenance of main roads the State provided £45,000 annually, and the Municipalities £20,000. For the maintenance of local roads the Municipalities raised £112,000 per annum which was supplemented by a subsidy of £11,000 from the State. These sums had to be spread over 10,000 miles of local roads, which meant a provision of only £10 per mile per annum, which, it was claimed, was hopelessly inadequate. In view of the serious position thus created the State Parliament enacted the State Highways Act of 1929, under which the maintenance cost of some 1,000 miles of State highways would be borne by the State. Under this arrangement the municipalities would benefit to the extent of £9,000 per annum.

It was also pointed out that, while the financial assistance rendered by the Commonwealth to the State under the Federal Aid Roads Agreement greatly assisted the State in building up its road system, it also carried with it obligations which imposed a heavy strain on the financial resources of the State. It was understood, however, that, as a result of a recent conference of Commonwealth and State Ministers, the existing agreement would be modified in such a way as to afford substantial relief to the States. In the report of the Transport Committee of the Development and Migration Commission it was pointed out that "the interests of Tasmania would best be served if the greater part of the funds provided under the Federal Aid Roads scheme could be utilized for the maintenance and improvement of existing roads." According to evidence tendered to the Committee action in the direction suggested would be rendered possible under the proposed new agreement between the Commonwealth and the States.

SHIPPING.

A considerable amount of evidence was placed before the Committee concerning the disabilities suffered by Tasmania in consequence of inadequate shipping services and high freights.

The main points of the evidence may be stated thus:—

1. Owing to Tasmania's severance from the mainland she was almost entirely dependent on shipping facilities for the prosecution of her trade;
2. Interstate trade was relatively much more important to Tasmania than to any other State. For the year 1928-29 the interstate tonnage of cargo from Tasmania was 4.54 tons per head of population compared with 1.67 tons per head of population for all other States. Thus the interstate trade of Tasmania was over two and a half times as great as the average of the other States.

30. While the encouragement of an Australian mercantile marine through the operation of the Navigation Act was admitted as a worthy object, it was contended that Tasmania, owing to her geographical position, her predominant interest in interstate trade and her partial dependence on the tourist traffic, had to bear a disproportionate share of the costs and curtailment of services involved in the maintenance of an Australian shipping service.

The relative significance of interstate shipping to Tasmania and the mainland was well reflected in the following figures, which showed the tonnage of interstate cargo discharged and shipped in Tasmania and on the mainland, and the respective quantities of total trade per head for each of the last ten years. These figures indicated, in the first place, that the interstate trade by sea in relation to population was much heavier in the case of Tasmania than in the case of the rest of Australia. In the second place Tasmania's interstate trade by sea per head had increased quite noticeably during the ten years stated, whereas that of the rest of Australia had altered very little. While a comparison of the first three years of the ten with the last three showed an increase of more than 44 per cent. in the case of Tasmania, a similar comparison for the rest of Australia showed an increase of less than 7 per cent.

INTERSTATE TONNAGE OF CARGO.

TASMANIA'S TONNAGE OF CARGO.				
Year.	Tons of Interstate Cargo.			Total Tonnage of Interstate Cargo per head of Population.
	Discharged.	Shipped.	Total.	
TASMANIA, 1919-20 to 1928-29.				
1919-20	262,746	378,637	641,383	Tons.
1920-21	281,521	418,288	699,809	3.06
1921-22	316,026	480,418	796,444	3.29
1922-23	396,859	601,178	898,037	3.65
1923-24	462,555	626,410	1,088,965	4.10
1924-25	453,752	538,179	991,931	4.97
1925-26	392,629	543,652	936,281	4.56
1926-27	428,835	659,747	1,088,582	4.31
1927-28	428,695	616,998	1,045,693	5.06
1928-29	406,158	673,841	979,999	4.84
TASMANIA, 1919-20 to 1928-29.				
1919-20	262,746	378,637	641,383	4.53
AUSTRALIA, EXCLUSIVE OF TASMANIA, 1919-20 to 1928-29.				
1919-20	4,011,422	4,037,272	8,048,694	1.58
1920-21	4,711,509	4,575,390	9,286,899	1.79
1921-22	5,127,578	5,053,298	10,180,876	1.92
1922-23	4,534,968	4,636,473	9,271,441	1.71
1923-24	5,911,294	5,731,781	11,643,065	2.11
1924-25	5,992,567	5,875,796	11,868,363	2.10
1925-26	5,416,752	5,192,321	10,609,073	2.10
1926-27	6,263,411	6,136,409	12,399,820	1.84
1927-28	5,679,016	5,608,390	11,287,406	2.10
1928-29	5,235,687	4,976,452	10,212,139	1.88
				1.67

In the matter of interstate passenger traffic by sea the evidence showed that the Tasmanian figures were high compared with most of the other States. In fact they exceeded those for all other States except Victoria. In relation to existing population they were much higher than even Victoria, the figures for 1929 being as follow:—

INTERSTATE MIGRATION BY SEA, 1929.

State or Territory.	Interstate Arrivals by Sea.	Interstate Departures by Sea.
New South Wales	31,589	31,946
Victoria	61,066	62,350
Queensland	13,237	12,577
South Australia	6,463	8,130
Western Australia	12,766	10,682
Tasmania	45,292	44,840
Northern Territory	595	483
Total	171,008	171,008

The following figures were also submitted in evidence to show the growth of Tasmania's interstate and overseas trade and her increasing dependence on sea transport:—

TASMANIAN INTERSTATE TRADE.

Year.	Imports from Australian States.		Exports to Australian States.	
	Total.	Per Head.	Total.	Per Head.
1899	£ 773,650	£ 4.91	£ 1,297,038	£ 8.22
1897	868,986	5.36	1,436,302	8.86
1898	1,094,904	6.57	1,323,737	7.95
1899	1,191,778	6.96	1,177,821	6.90
1900	1,372,552	7.94	1,071,829	6.20
1904-25	7,127,401	32.72	5,541,927	25.44
1925-26	6,932,583	31.94	6,132,004	28.25
1926-27	7,673,368	35.73	6,960,518	32.41
1927-28	7,887,940	36.54	6,832,367	31.65
1928-29	7,470,000	34.49	7,019,000	32.41
OVERSEAS TRADE OF TASMANIA.				
1900	701,105	4.06	1,538,788	8.91
1928-29	1,765,000	8.15	2,744,000	12.67

Other points raised in evidence were as follow:—

The lack of suitable refrigerated space was, it was claimed, a drawback to the development of dairying and other industries.

As the Commonwealth Government had spent millions of pounds on the provision of railways in other States, it was contended that the obligation rested on the Commonwealth to find adequate means of communication by sea for Tasmania.

To overcome existing difficulties it was suggested in evidence that—

- Passenger communication between Melbourne and Hobart be restored;
- Provision be made for the continuity of the Sydney-Hobart passenger service throughout the year with lower fares;
- Consideration be given to a policy designed to give Tasmania lower rates of freight and passenger fares generally;
- A condition be inserted in the mail contract with the Orient Company that its steamers should carry interstate passengers when voyaging between capital ports in pursuit of overseas trade.

It was further stated in evidence that unless adequate, regular, and continuous means of communication were provided to enable the products of Tasmania to be readily and cheaply marketed, the efforts of the Commonwealth to assist the State financially to overcome its difficulties, to retain its population, and to increase production, would be largely wasted.

There was a difference of opinion as to the best method of improving shipping services for Tasmania. Some witnesses favoured increased subsidies to the shipping companies; others favoured the establishment of a Commonwealth line. The majority of witnesses, however, favoured a subsidized service.

TRANSPORT GENERALLY.

It was stated in evidence that the intense and uneconomic competition between motor transport and the railways was having a very serious effect on the financial position of the railways, and that, on account of the configuration of Tasmania and the extensive road system, motor competition was felt with more severity in that State than on the mainland. In 1928-29 a close investigation was made into the internal transport problems of Tasmania by a special Committee appointed by the Development and Migration Commission. Following are extracts from the report of the Internal Transport Committee:—

We find that throughout the State there exists an intense and uneconomic competition between the various transport agencies. In no other part of the Commonwealth is this so far reaching as in Tasmania. Government and private railways, road motor services, inland and coastal shipping are all engaged in competing for fares and freight, which in most cases cannot support more than one transport service, with the result that large subsidies in the form of losses on railways and steamer services, and high cost of maintenance of roads, must be provided by the Government. . . . The various means of transport should be co-ordinated in a transportation policy suitable to meet the needs of all parts of the State, and the present uneconomic competition should be limited as far as possible.

In view of the seriousness of the problem the Internal Transport Committee recommended the establishment of a Transport Board representative of Government Departments affected by transport matters. The Committee also recommended that the duties of the Board should be defined under statutory authority, and that it should be granted a sufficient measure of independence to enable it to carry out its duties effectively. Evidence tendered showed that the Tasmanian Government had set up a Transport Board to advise the Government on all phases of transport, including the issue of licences, the taxation of motor vehicles, general traffic regulations, motor competition, and the possibility of using motors as feeders to the railways. The personnel of the Board, which was practically identical with that recommended by the Internal Transport Committee, consisted of the Commissioner of Railways, the Commissioner of Police, the Director of Public Works, a representative of the local governing authorities, and a representative of the motorists with engineering experience. The Transport Board had, it was stated, already submitted, for the consideration of the Government, a comprehensive report on traffic regulations, and was now engaged on the question of the licensing of vehicles, the establishment of a franchise on roads, and the restriction of motor services, with a view to eliminating uneconomic competition. The motor taxes in Tasmania were below the Australian average, but steps were being taken by the Government to increase these taxes to the level of the other States. A zone tax system had been introduced in regard to hire cars with the result that motor cars which acted as feeders to the railways were not heavily taxed, while those that competed with the railways were heavily taxed. The Committee was assured that every effort was being made to solve the transport problems of the State, having due regard to the reasonable needs of the people for development and industry.

PRIMARY INDUSTRIES.

AGRICULTURE.

Recognizing that the future of Tasmania largely depends on the scientific exploitation of her primary industries the Committee directed its mind particularly to this avenue of production. In addition to making personal inspections of the agricultural areas the Committee obtained the advice of a number of expert witnesses who were unanimous in the belief that the best means of improving the economic position of Tasmania was to stimulate primary production. Following is the substance of the evidence placed before the Committee:—

In 1927 the Development and Migration Commission was consulted in an advisory capacity and, as a result of its investigations, certain plans for the rehabilitation of the primary industries of Tasmania were prepared. The plans provided for the re-organization of the Agricultural Department, on the one hand, and for the organization of primary producers into a representative body—the Agricultural Bureau—on the other. There was a realization of the need for encouraging and assisting the State to embark upon activity which would improve its own economic conditions—an endeavour to help the State to help itself to improve its primary industries. The plans submitted to the Government were adopted. The re-organized Agricultural Department had now been functioning for over two years, and as a result of its activities it was generally conceded that there was already unmistakable evidence of improvement in the rural industries. Farmers had come to realize the importance of scientific methods in maintaining soil fertility; the number of dairy cows was being increased; the number of sheep was rising rapidly; arrangements were well advanced for the establishment of a fat lamb export trade; and a sounder and more permanent system of agriculture was being evolved. Instances could be quoted where the adoption of improved methods had increased stock-carrying capacity of certain areas five-fold and even more. With the pursuit of a vigorous policy of encouragement of the primary industries and the growing determination of the farming community to seize upon better methods, there was every reason to believe that the next ten or eleven years should see at least a 50 per cent. increase in the numbers of live-stock. The following table showed clearly that, in spite of favorable conditions, the crop yields of the State were only about two-thirds per acre of those of New Zealand and England, with which comparisons were justified:—

1918-1929.

Crop.	Tasmania.	Australia.	England.	New Zealand.
Wheat (bushels)	20.5	13	32.4	30.5
Oats (bushels)	26.9	15	38	37.4
Barley (bushels)	22.7	19	23	35.9
Peas (bushels)	18	16.2	26.1	26.6
Potatoes (tons)	2.7	2.59	6	5.5
Oxen Hay (tons)	1.6	1.21		1.52

The trend of crop yields in Tasmania was downward. In the case of potatoes, comparing the yields in the decade 1888-1897 with those of 1918-1927, there was a decrease of 35 per cent.

Stock density in Tasmania was extraordinarily low, as would be seen by the following comparison. The number of stock per 1,000 acres occupied is taken:—

	Tasmania.	New Zealand.
Sheep	185	520
Cattle	17	79
Cows	8	30
Pigs	5	10
Horses	4	7

Since 1888 the number of sheep and cattle had been increasing while the number of pigs had been decreasing.

The following is a comparison of Tasmania's cropping system with that of Great Britain and New Zealand, the crops taken being cash crops and those that restore, in any measure, fertility to the soil:—

	Great Britain.	New Zealand.	Tasmania.
Cash	45	50	88
Restorative	55	50	12
Total	100	100	100

This table emphasized to a marked degree the disproportion of cash to recovery crops. The operation of this system had resulted in soil impoverishment and the present low yields of all crops.

The most pressing need for bringing the policy of agricultural development to a successful issue was the provision of an experimental farm with suitable sub-stations. The farm would serve a four-fold purpose, viz.:—

- As an experimental area for the investigation of problems affecting agriculture;
- As a demonstration of the application of improved agricultural practices;
- As a training ground for recruits to the staff of the department, and as a centre for agricultural education of higher standard and more practical nature than that which could be provided in secondary schools;
- As a common centre at which work entrusted to the Commonwealth Council for Scientific and Industrial Research could be conducted in close collaboration with, and with the co-operation of, the State Department of Agriculture.

Numerous activities of an investigational nature required urgent attention, but could not be pursued unless an experimental farm was available. The following examples would suffice to show the importance of such an undertaking. Seed stocks of most of the crop and pasture plants were in a deplorable condition. This contributed largely to the low yields. The average potato yield was only a little over two tons per acre. Disease-free seed alone, if available, would increase the yield by at least 100 per cent. In other words, the present yields could be produced from 17,000 acres instead of from the 34,000 acres now used. Potatoes cost about £15 an acre to grow. The saving on 17,000 acres at £15 per acre would represent £255,000. In a varying degree the same conditions applied to other crops and pastures.

On the animal husbandry side there were problems of mal-nutrition and disease, which could only be remedied under controlled conditions. With some 2,000,000 sheep already in the State, a saving, or an increased return, of 1s. per head as the result of such work would produce an additional £100,000 per annum. Such an increase was, it was claimed, clearly in reach if the facilities suggested were provided.

The Commonwealth Council for Scientific and Industrial Research required sub-stations for the pursuit of their plant introduction, entomological, and animal nutrition activities. An experimental farm would probably meet their needs and avoid duplication of plant, while the

mutual stimulus and exchange of ideas between officers would have very beneficial results. A highly qualified staff had been brought together in Tasmania but they required the farm suggested to do their work. It appeared that the State was unable to provide the funds necessary for such an undertaking, but if it were to regain a sound financial position through the development of its rural industries an experimental farm must be made available. Following was a rough estimate of the cost of the farm and sub-stations:—

1,000 acres at £20 per acre	£	20,000
Laboratories and scientific equipment	8,000	
Buildings (farm and residential)	8,000	
Implements, &c.	2,000	
Stock, &c.	4,000	
	40,000	
Sub-station, potatoes	5,000	
Sub-station, fruit	5,000	
	10,000	
Total initial expenditure	50,000	
Estimated additional annual expenditure for labour, material and operation	5,000	

All States except Tasmania had, it was stated, facilities for experimental work. In other States the agricultural schools and colleges had been very successful. The Waite Institute for Agricultural Research in Adelaide had done splendid work in connexion with soil nutrition and parasitic and other diseases. The result of this work could be made applicable to Tasmania. The value of Farrer's work must be reckoned in millions of pounds.

The success of New Zealand's agricultural development was due to scientific methods. In New Zealand there were eight or nine experimental farms and two university colleges of agriculture. In addition a vigorous policy was pursued in the encouragement of agricultural education in the primary and secondary schools.

The greatest factors contributing to diminution of yields in Tasmania were, it was stated, the bad regulation or the non-regulation of crop rotation and inferior systems of husbandry, which had led to soil exhaustion.

If the Commonwealth Government could find the funds necessary to establish and maintain an experimental farm it would go a long way towards assisting Tasmania to solve her economic problems.

WHEAT.

The evidence showed that the wheat production of Tasmania had declined considerably since the early years of Federation. For the ten-year period 1906-1915 the average area under crop was 33,540 acres, the average yield per acre being 22.5 bushels. For the year 1928-29 the area under crop was 22,570 acres, the yield per acre being 20.17 bushels. The decline in wheat production in Tasmania was said to be due to—

- Mainland competition;
- The restricted market for local flour owing to bakers' preference for mainland flour, which gives a greater production of bread. Tasmanian flour, while weak in flour content owing to excessive moisture, is very suitable for biscuit making and quantities are exported for this purpose;
- Relatively high cost of production;
- Soil exhaustion.

For the year 1927-28 Tasmania imported 779,000 bushels of wheat from the mainland at a value of £226,548. It would thus be seen that if Tasmanian wheat could be improved to the mainland standard it would mean much to the State.

In the course of its investigations the Committee sought expert advice as to the possibility of producing wheat in Tasmania equal to the mainland standard.

Following is a summary of the advice tendered to the Committee:—

With regard to improvement in the general standard of the Tasmanian wheat crop the varieties at present grown were not pure, but very mixed. It followed, therefore, that these should be purified by selection so as to make available better quality wheat.

It was also advisable to attempt improvement work by cross-breeding. Wheats possessing desirable characteristics not in Tasmanian wheats should be introduced and used as parent stock in the production of new forms. This line of investigation was profitably employed by Farrer, who used Indian and Canadian wheats as the basis of his work. The application of science in other parts of the world has resulted in the quality of wheat being greatly improved. Satisfactory results had been achieved in England where climatic conditions were comparable with those of Tasmania. The quality of English wheat was not at one time up to the standard of that of Canada, and was not suitable for bread-making unless blended with foreign wheat. Recognizing the need for home-grown wheat of good quality the milling industry in England established "The Home-grown Wheat Committee", and charged it with the task of inquiring into the possibility of making the English wheat crop more suitable for bread-making. After a number of years' work, during which a comprehensive series of investigations were conducted, the Committee was able to state that, given satisfactory conditions for harvesting, England could grow grain comparable with the best that it imported. A quantity of Red Fife—a high quality wheat and once the basis of the graded wheat known as Manitoba Hard—was introduced into England, and even after growing for twenty-one years under English conditions it produced grain which was almost, if not quite, indistinguishable from Manitoba Hard, even when converted into loaves.

In addition to the important work of purification of existing varieties and the testing, comparatively, of these "pure line" selects, there was the possibility of introducing into Tasmania new superior wheats of other countries. For instance, wheats grown in Canterbury, New Zealand, and found satisfactory for bread-making by the Christchurch Wheat Research Laboratory, might well be introduced and tried in Tasmania, where climatic conditions were somewhat similar. Consideration should also be given to the introduction, culture, study and possible use for crossing purposes of wheat stocks from various countries possessing a wider range of climatic conditions. To enable systematic introduction work to be undertaken in Tasmania a small station of about twenty acres conveniently situated was necessary. This area would serve the needs of wheat improvement and wheat introduction. The introduction of plants other than wheat, such as new pasture plants, which were required to improve Tasmanian agriculture, could also be undertaken at the station suggested.

The high rainfall over the greater part of the island, the small area of flat land, the high cost of production due to predominance of hilly land, and the relatively small fields of wheat gave rise to the question as to whether wheat growing in Tasmania was economically sound, and whether it would not be better for Tasmania to specialize in rural industries much better suited to her climate; for example, dairying, bacon production, and fat lamb raising. Dependence more and more on grassland farming and less on cereal-growing had changed the agricultural position of New Zealand decidedly to her economic advantage. Tasmania with her corresponding latitude and somewhat similar climatic conditions might well profit from the experience of New Zealand. The question arose, however, was Tasmania ready for such a sudden transition? The position was, it was claimed, very doubtful. Tasmanian soils, more or less depleted by continuous cropping, could not now in many instances carry permanent pastures. These soils must first be built up, particularly in organic matter. By the system of growing wheat, oats or barley once in three or four years and pasturing Italian ryegrass and red, white and alsike clovers in the intervening years it was possible to build up the soil fertility to such an extent that ere long the land would support long rotations of permanent pasture of suitable grasses and clovers. When Tasmanian soils had been built up by such methods and permanent artificial pastures were properly established and dairying and other live-stock industries had been organized on up-to-date lines, wheat-growing would tend to occupy its proper place in the agricultural economy of Tasmania.

PASTORAL INDUSTRY.

Interesting evidence was submitted to the Committee by a grassland expert from London who had made a close study of agrostology in most countries of the British Empire. With regard to Tasmania he indicated that three defects were immediately apparent. Firstly, the extreme use of arable land in the production of saleable crops; secondly, the poor composition and low productiveness of the grassland; and, thirdly, a shortage of live-stock, both cattle and sheep. The general agricultural policy pursued in the past—the continuous cultivation of cash crops such as corn, hay and potatoes—did not appear to be sound in the light of future economic development. Such a policy, unless backed up by efficient and generous manuring and maintaining the soil reasonably free from weeds, was bound to result in fairly rapid deterioration of fertility, and a stage might easily be reached when the organic matter might become so exhausted that the raising of profitable crops might become almost impossible. Considerable areas throughout the State had the appearance of being sorely depleted of their organic matter.

Pasture establishment under these conditions became extremely difficult, if not impossible. Much of the grassland on potentially fertile soils carried an inferior type of herbage, mainly composed of agrostis, danthonia, Yorkshire fog, sorrel and other weeds. On the roadsides, however, adjacent to the low productive pastures the dominant species were perennial rye-grass, white clover and cocksfoot. This clearly indicated the possibilities of pasture development under better management. The shortage of live-stock was very apparent and the wastage of grass through lack of available grazing animals was very high. The stock-carrying capacity was low. In comparison with the other Australian States the soil and climatic conditions of Tasmania were more than favorable. Continuous cash cropping without extensive manuring (including farm-yard manure) was a policy of ultimate ruin. More systematic rotation of cropping with the inclusion of suitable leguminous crops was essential to success, and root crops to be fed off "in situ" would rapidly increase soil fertility. Far too high a percentage of the cultivated land (about 40 per cent.) lay practically idle in the form of stubble. By systematic use of Italian rye-grass and red clover, sown with the previous corn crop, this land would be made highly productive by carrying a valuable crop. This temporary pasture phase was an important and essential one in the future development of highly productive permanent pastures, because it would be the means of raising the stock-carrying capacity and building up the depleted soil fertility. The development of temporary pastures in Tasmania for the next few years was one of the most important transitional stages in permanent pasture establishment. Another important phase was to secure the right strain of plants within the suitable species for Tasmanian conditions. The scientific investigation of suitable strains should proceed immediately. In Tasmania there was ample material to work on. In the north-west and north-eastern parts of the State there were excellent strains of rye-grass, cocksfoot and red and white clover. It only required the necessary facilities for selection, isolation and seed production to provide the Tasmanian farmer with the best possible material for permanent pasture establishment. For this purpose a suitable experimental farm was essential, as it was quite impossible to carry out such important investigational work under ordinary farm conditions, where interests were conflicting and control incomplete. Under a properly organized system of certification and registration a highly remunerative seed trade could be developed which would not only meet the internal Tasmanian requirements but would also secure a share of an assured market overseas. Having in view that the future prosperity of Tasmania lies in the development of grassland with consequent increased output of animal products in the form of dairy produce, fat lambs and pigs, it would appear logical that such development would tend to decrease gradually the area at present under the plough. At the same time the smaller area under cultivation—restored to its fertility by the approved methods suggested—could maintain, if not increase, the output at present obtained from the larger area. In the development of the dairying industry, which must compete in an overseas market with highly organized dairying industries of other countries, it was essential to pay particular attention to the quality of the produce. The development of the pig industry would naturally follow that of dairying. The development of the fat lamb and wool industries was fundamental in the economic utilization of large pastoral areas unsuited for dairying. As the market for frozen mutton and wool was inevitably an overseas one the organization of the marketing end of the business was important.

The use of fertilizers had played an important part in the development of grassland production in New Zealand, and their use would be no less necessary in Tasmania if high economic production were to be achieved. High economic production from grassland was impossible unless supplies of suitable fertilizers were available at a reasonable cost. In New Zealand fertilizers were obtainable free of duty.

On the apparently reasonable assumption that the difficulties mentioned may be overcome, and that development took place on the lines suggested, an increase in production up to 100 per cent., should be obtained within ten years.

DAIRYING.

Expert evidence placed before the Committee indicated that there was a wide field in Tasmania for the development of the dairying industry, provided up-to-date and scientific methods were employed. While a percentage of farmers recognized the wisdom of applying science to industry, there was considerable room for improvement in the industry as a whole. The carrying capacity of land, if properly treated, could be doubled. The present lactation period, which averaged six months, could and should be extended to nine months. Very satisfactory results had already been achieved by some farmers by proper feeding and the conservation and production of fodder. What was required was systematic organization under which experts qualified in animal husbandry and dairying could move amongst the farmers and advise them on breeding, feeding, testing, culling, pasture improvement and management. Arising out of the recommendations of the Development and Migration Commission considerable

progress had been made in the dairying industry. The Agricultural Extension Service had, it was stated, done splendid work during its two years existence; but there were not enough extension officers to cope with the wide field that awaited exploitation at their hands. The provision of an experimental station was an urgent necessity and would go a long way towards removing the need for financial assistance to the State. Dairymen were realizing the benefit of the bull subsidy scheme in improving their herds. Under the scheme a subsidy of 6d. per lb. of the butter fat of the dam's production was paid. It was hoped that the Government would see its way clear to increase the subsidy, but, unfortunately, on account of lack of funds, it had been obliged to cut down the provision. It was believed that the subsidy in Victoria was 1s. 6d. Until the bull subsidy scheme was generally adopted, together with herd testing and culling, the progress of the dairying industry would be hampered.

To ensure efficient control of the dairying industry the Tasmanian Dairy Act should, it was urged, be amended. At present there was practically no control over farm-made butter, which, in 1927-28, amounted to 2,059,332 lbs. in a total production of 6,514,642 lbs. The farm-made butter was, it was stated, sold at a lower price than the factory-made butter and nullified, to a certain extent, the Paterson stabilization scheme. The production of large quantities of farm-made butter without supervision was, it was submitted, responsible for the comparatively high percentage of inferior butter produced in Tasmania. Butter made on the farms should, it was contended, be subjected to the same standards as butter manufactured in the factories. It was stated in evidence that amending legislation in the direction suggested was under consideration.

Owing to the lack of refrigerated space on ships trading with the mainland the dairying industry was suffering a serious disability. If adequate refrigerated space were provided it would not only ensure butter being exported abroad in a proper condition but would render certain handling charges unnecessary.

FRUIT.

The fruit industry of Tasmania plays an important part in the income of the State. The following figures relating to the apple industry are of interest:—

	Production in bushels.	Value (in £s.).
1923-24	1,869,826	£ 520,000
1924-25	2,510,000	756,800
1925-26	4,132,000	825,000
1926-27	2,500,000	1,169,450
1927-28	4,673,000	919,520

The increased acreage under apple trees, though not large, shows a sustained interest in the industry. The following figures illustrate the growth in acreage for the period 1905 to 1928:—

Year.	Acre.	Output.	Yield per Acre.	Price per Bushel.
	Acre in bearing.	1,000 bushels.	Bushels.	s. d.
1905-10*	21,424	1,412	77	3 10
1910-15*	23,708	2,182	92	5 1
1915-20*	25,478	4,132	164	3 10
1920-25	25,008	2,900	116	8 0
1925-28	25,296	4,673	185	3 11

* Average for ten years.

Evidence placed before the Committee indicated that the fruit-growing interests in Tasmania were opposed to the methods adopted in fixing the standards of fruit and to proposals for eliminating certain varieties of fruit for export. In this connexion it was pointed out that the elimination of any variety or varieties of fruit for export might inflict serious hardship on a number of growers. Complaint was also made that in the absence of representation on the controlling body the growers had no voice in the control of their own products. As Tasmanian fruit-growers could justly claim that they pioneered the apple export industry in

Australia, it was contended in evidence that they should have a direct voice in the consideration of all matters vitally affecting their welfare. It was urged, therefore, that the Fruit Advisory Board of the State should have representation on the Board which recommended alterations in the fruit export regulations.

EVAPORATED APPLES.

Strong representations were made to the Committee for an export bounty on evaporated apples. The cost of evaporating was stated to be £58 6s. 8d. per ton. To this shipping costs amounting to £10 had to be added making a total of £68 6s. 8d. On the basis of a c.i.f. London price of £45 a ton and a payment of 1s. 6d. per bushel to the growers there was a loss of £23 6s. 8d. per ton. To equalize this loss a bounty of 2½d. per lb. would be required. The Evaporators Association considered that any bounty decided upon might fairly be fixed upon a sliding scale according to the price realized c.i.f. London. It was suggested that there might be a graduated scale of bounty commencing to operate at 68s. per cwt. c.i.f. at the rate of ½d. per lb., increasing proportionately as the c.i.f. price descended to 45s. c.i.f., at which price a bounty of 2½d. per lb. would be required.

To absorb the surplus apples which could not at present be taken from the growers the Evaporators' Association estimated that a minimum of 15,000 boxes (each 28 lb.) of evaporated apples should be shipped overseas. On this basis the bounty required for this season would be about £4,375. The proceeds of sale would represent about £11,000 to the State. Moreover, if the bounty were granted considerable benefit would accrue from the additional employment created in the orchards, drying works and sawmills.

HOPS.

It was represented to the Committee by the hop-growers of Tasmania that certain developments connected with limitation of imported hops threatened to injure the industry in Australia. It was pointed out that some years ago a voluntary agreement was arrived at between the brewers of the various States and the Tasmanian Hop growers Ltd., under which the brewers undertook to limit their importations of hops to 15 per cent. of each individual brewer's requirements. The agreement had, it was stated, been policed by the Department of Markets, and had been renewed annually. Recently, however, the New South Wales brewers had intimated that they would not enter into a new agreement because the Tasmanian brewers were selling their products in New South Wales at a price lower than that charged by the New South Wales brewers. This meant that the New South Wales brewers were not prepared to discriminate between imported hops and Tasmanian hops. To conserve the industry in Australia it was urged that the Commonwealth Government should place an embargo on imported hops so long as Australian hops of approved quality were available to the brewers. Alternatively, it was suggested that the position could be met by making available to the hop growers in the form of a bounty the duty received on imported hops.

The average annual production of hops in Australia was approximately 11,000 bales, of which 9,000 bales were produced in Tasmania and 2,000 bales in Victoria. The average annual importations approximated 300 bales. Continental hops could be obtained in Australia at 1s. 6d. per lb. According to the evidence Australian hops could not be handled profitably for less than 1s. 9d. per lb., which represented 1s. 6d. or 1s. 7d. to the grower. Owing to high working costs in the hop industry in Australia it was impossible to compete with Continental growers unless adequate protection was afforded. It was estimated that the present duties should be increased by 50 per cent. to give Australian hop-growers the protection necessary for the maintenance of the industry. As the sale of Tasmanian hops increased the income of the State by £180,000 to £200,000 per annum, the importance of the industry to Australia would be fully recognized. As there was an over-production of hops in other parts of the world it was feared that, if steps were not taken to protect the Australian industry adequately, serious consequences might arise from greater importations.

To assist the hop-growing industry of Tasmania, the Commonwealth Government in 1925-26 made available to the Tasmanian Government a loan of £25,000 interest free. Of this amount £12,500 had already been repaid. The balance of £12,500 would, it was stated, be repaid in two years.

TIMBER.

It was claimed in evidence that the development of the timber industry of Tasmania was seriously retarded owing to high freights, mainland competition, and the reciprocal trade agreement between New Zealand and Australia. The freight to Melbourne from Burnie was, it was stated, 5s. 3d. per 100 super. feet plus 1s. 9d. for other charges in Melbourne.

It was also claimed that overseas competition operated to the detriment of Tasmania. In this connexion it was pointed out that the freight from the Baltic to Melbourne was 3s. 9d. per 100 super. feet; from America to Melbourne about 4s. 6d. per 100 super. feet, while the freight from Burnie to Melbourne was 5s. 3d. per 100 super. feet. It was urged that the duties on imported hardwoods should be raised to protect the local market and encourage further development. Australian timbers could, it was contended, compete successfully with other timbers in England, where they were gaining more recognition. Given proper encouragement it was asserted that the Tasmanian timber trade with England and other countries could be appreciably expanded.

AFFORESTATION.

The question of forestry and re-afforestation was closely interwoven with the timber industry. The climatic and other conditions of Tasmania were, it was claimed, particularly favorable for the successful growth of softwoods, such as were imported from America. In the past the Forestry Department had been severely handicapped in its work owing to lack of funds, with the result that some of the forests were reduced to a non-productive condition. To maintain the Forestry Department on a proper basis it was submitted to the Committee that assistance should be extended in the following directions:—

- (a) The whole of the Forestry Department's revenue to be credited to the forestry fund for expenditure under all heads, except surveying and exploration and nurseries and plantations;
- (b) A special grant of £15,000 (£5,000 for three years) for surveying and exploration;
- (c) Loans as required for plantations, the total not to exceed £5,000 per annum for the next five years.

CARBIDE.

Strong representations were made to the Committee concerning the necessity for greater protection for the carbide industry at Electrona, near Hobart, Tasmania. The manufacture of carbide was first undertaken in Australia during the war period with the object of breaking down the excessive prices charged for carbide by foreign manufacturers. In this connexion the enterprise proved successful, as foreign prices fell immediately. The amount of Australian carbide used in Australia to-day represented 70 per cent. of total requirements. The remaining 30 per cent. consisted of 6 per cent. imported from Canada and 24 per cent. imported from other countries. The carbide works at Electrona, which produced annually from 3,600 to 3,600 tons of carbide of high quality, provided work for about 130 employees for ten or eleven months of the year. Unfortunately the total yearly sales were not sufficient to justify continuous working. The compulsory closing down for one or two months of the year not only threw operatives out of work, but considerably increased manufacturing and overhead costs. The works at Electrona were, it was claimed, quite capable of producing all the carbide needed in Australia. The present price was £4 per ton cheaper than imported carbide; but it was stated that, owing to local prejudices, preference was given in some quarters to the dearer imported article. As to the quality of Australian carbide it was claimed that the local product was proving to be at least equal to, if not superior to, the imported article, and was being used with satisfactory results by every Railway Department in Australia and by the various public works departments. In addition, the Australian product was used extensively throughout Australia for lighting purposes. It was stated in evidence that the manufacture of carbide at Electrona was a 90 per cent. Australian business, the remaining 10 per cent. being Welsh anthracite coal, which was the only known coal in the world sufficiently low in phosphorus content to be used in manufacturing carbide containing not more than .05 per cent. of phosphine. Such a stringent restriction regarding phosphine was considered unwarranted, and application had been made to the Australian Commonwealth Engineering Standards Association to fix a standard which would permit the use of Australian coal.

The present price of Australian carbide was £23 11s. 9d. to £25 10s. per ton delivered free to Australian seaports. In this connexion it was pointed out that freight and other charges from Hobart to many Australian ports were as high as, and in some cases higher than, those incurred in shipping carbide to Australia from the other side of the world. To enable the works at Electrona to work continuously and profitably, and to provide constant employment for its operatives, it was urged that the present duty of £10 per ton be increased to £18 12s. 4d. per ton. An undertaking had already been given to the Department of Trade and Customs that, in the event of the desired increase in duty being granted, the selling price of Australian carbide would not be increased above £26 per ton. It was further submitted that the manufacture of carbide was a basic industry, of which there were few in Australia, for developing Australian industrial activities. Under existing conditions the Electrona Carbide Works were, it was represented, operated on a very narrow margin between success and failure. If the industry failed the price of imported carbide would, it was stated, probably soon be increased to £30 per ton, that being the price reached in New Zealand, where no carbide was manufactured.

HYDRO-ELECTRIC SCHEME.

The Hydro-Electric Department was established in 1914, when the State Government acquired the works of the Hydro-Electric Power and Metallurgical Company. Prior to the war the treatment of the complex ores of Australia was handled by Germany. During the war the zinc position became acute and the Prime Minister of the day determined that, in the interests of the Commonwealth, complex ores should be treated in Australia. As a result of negotiations the Electrolytic Zinc Company was established and a contract was entered into with the Tasmanian Government to treat ores in Tasmania. To make this commercially possible the Hydro-Electric Department incurred very heavy expenditure, as would be seen from the figures quoted later. Recognizing that cheap power was essential to the progress of the State, every endeavour had been made to provide power in all areas of the State where it was commercially possible to do so. It was claimed that the hydro-electric scheme had resulted in the establishment of industries which otherwise would not have been created. Amongst these were the Electrolytic Zinc Works, the Carbide Works, Cadbury's, Patons and Baldwins Woollen Mills, Kelsall & Kemp Woollen Mills, and Cement Works.

As a result of surveys it was estimated that the available power in the State was 1,000,000 horse power. Power was supplied for general industrial purposes from five-eighth pence per unit upwards. Special terms were quoted for large blocks of power.

The wisdom of the policy of providing power wherever possible had been borne out by the prosperity and development of the reticulated areas. If circumstances were favorable it was proposed to reticulate further areas, particularly those suitable for dairying purposes. In this connexion, however, it was stated that high duties on electrical apparatus operated very detrimentally to progress. Further duties had recently been imposed on electrical apparatus, and it was stated in evidence that if the prices charged by Australian electrical industries followed the new duties the remaining rural areas of Tasmania could never be reticulated because they could not possibly pay. In past years liberal concessions in the shape of duty remissions had, it was stated, been granted to other States, amounting in one instance to 77 per cent. of the total duty payable, while the remissions of duty afforded the Hydro-Electric Department of Tasmania represented only 37 per cent. of the duty payable.

With regard to the financial position of the undertaking, it was stated that the capital invested was meeting all charges, including interest and depreciation, and was adding considerably to the development of the State. The prospects of the future were bright, and with greater development it was anticipated that charges could be reduced, especially in the rural areas. The feasibility or otherwise of development would, however, depend largely on the tariff on electrical apparatus.

The following statement setting out the financial position of the Hydro-Electric Department is of interest:—

SUMMARY OF TRADING, PROFIT AND LOSS ACCOUNT OF THE HYDRO-ELECTRIC DEPARTMENT, HOBART.

Year ending 30th June.	1917.	1918.	1919.	1920.	1921.	1922.	1923.	1924.	1925.	1926.	1927.	1928.	1929.	Total.
Revenue	25,587	37,384	50,771	60,574	81,018	108,267	143,310	202,615	223,699	229,742	243,312	268,458	322,890	2,655,438
Working Expenses	17,165	20,044	24,432	26,092	34,121	31,527	33,520	31,422	30,904	26,679	26,499	25,215	25,340	230,515
Balance	8,702	17,340	26,339	34,482	47,705	76,740	109,771	171,193	192,795	203,063	216,813	243,243	297,550	1,924,923
As percentage of														
Capital Expenditure	1.75	2.69	4.20	3.27	5.40	5.00	5.5	5.02	6.31	6.45	6.19	7.26	7.57	44,517
Depreciation	10,160	21,614	25,334	25,390	30,610	11,026	15,288	24,430	25,454	28,573	30,094	33,123	42,220	245,757
Interest	10,160	21,614	25,334	25,390	30,610	11,026	15,288	24,430	25,454	28,573	30,094	33,123	42,220	245,757
Deficiency	10,217	4,804	..	..	..	..	9,783	28,440	..	6,933	..	..	..	44,621
Surplus	..	..	..	..	..	15,100	..	..	..	..	6,421	14,024	28,172	20,520
Capital Expenditure at end of year.	503,879	645,870	769,464	1,054,740	1,088,813	3,750,681	3,063,700	3,127,170	3,501,255	3,358,407	3,480,448	3,635,011	3,592,535	

It will be observed that—

- The capital expenditure at 30th June, 1929, was £3,592,535
- Revenue has increased from £25,957 in 1917 to £325,209 in 1929
- The profit for the year 1928-29 was £33,177, after meeting all charges
- A depreciation reserve of £243,157 has been established
- The accumulated loss on revenue account is £4,621; and that
- The excess of revenue over working expenses for 1929 represented 7.69 per cent. of the capital expenditure

MINING.

At the present time the mining industry in Tasmania is, according to the evidence, at its lowest ebb for many years. A number of rich mines which had materially assisted the finances of the State had been closed because they could no longer produce ores in payable quantities.

That the mining industry of Tasmania has played a great part in the economics of the State will be gauged from the following figures:—

MINERAL PRODUCTION TO 31ST DECEMBER, 1929.

	Value.
Gold	8,968,444
Silver and Lead	8,772,493
Copper	19,773,142
Tin	17,139,696
Zinc	976,755
Coal	1,747,149
Other	2,008,716
	59,416,395
1891 to 1900	9,233,489
1901 to 1910	16,668,999
1911 to 1920	13,925,812
1921	822,767
1922	878,009
1923	1,154,397
1924	1,325,067
1925	1,477,872
1926	1,573,997
1927	1,301,312
1928	1,335,571
1929	1,433,303
	11,303,195

From the Mount Lyell mines alone £5,000,000 had been paid in dividends, and £14,000,000 had been expended on wages and stores.

Owing to the devastation caused by the floods of 1929 the Brierley mine at Derby, the greatest potential tin-mine in Tasmania, had ceased production, resulting in great loss to the State.

Geophysical surveys were being conducted with a view to the discovery of new fields, and researches into metallurgical methods were constantly being conducted with the object of making the treatment of low-grade ores a commercial possibility. Successes already achieved in this direction had resulted in the re-opening of fields found to be unprofitable in the past, and it was anticipated that the known reserves of low-grade ores would, if existing prices were maintained, provide a profitable field of industry for many years to come.

The Tasmanian Government had encouraged legitimate prospecting as far as funds would permit, but it was stated that the provision of roads through difficult country, particularly on the west coast, was necessary to enable the mineral possibilities to be properly explored.

It was also submitted that the high duties charged on machinery which could not be procured in Australia inflicted a very heavy burden on the mining industry. Instances of high duty payments quoted showed that in one case no less than £2,400 was paid on machinery which cost £4,000 in America. In another instance machinery purchased for £6,000 involved payment of duty of over £3,000.

Having regard to the hazardous and difficult nature of the industry, it was contended that the duties charged were excessive and unreasonable.

SOLDIER SETTLEMENT.

The amount sought by Tasmania in the "Case" in respect of Soldier Settlement is £30,000. It was pointed out in evidence that Tasmania's expenditure on soldier settlement per head of population was far greater than that of any other State owing partly to a proportionately greater number of soldiers being settled, and partly to the fact that a greater proportion of private lands

had to be acquired for settlement. The loan expenditure on soldier settlement in Tasmania prior to 1926 was, it was stated, £11 7s. per head, as compared with £7 2s. 10d. per head for all States. The capital invested at 30th June, 1929, was £2,231,024, held by 618 eligible returned soldiers and 1,242 civilians. The accumulated loss to 30th June, 1929, was £1,228,642. Towards this loss the Commonwealth contributed £546,688, leaving Tasmania to find £681,954.

According to the report of Mr. Justice Pike the number of returned soldiers originally settled in Tasmania was 1,976. Of this number only 777, or 39 per cent., still remained. The relative percentage for all States was 71 per cent., so that, viewed from the aspect of successful settlement, Tasmania's position compared unfavorably with that of other States.

POPULATION.

In view of the unsuperable difficulty of procuring definite evidence of the effects of Federation on Tasmania, it was submitted to the Committee that acceptable circumstantial evidence was to be found in migration figures, because net migration constituted a focal point at which the combined results of all economic forces were concentrated.

The following table provides an interesting comparison of net migration in all States from 1891 to 1928 :—

POPULATION.—INCREASE BY NET MIGRATION 1891 TO 1928.

Period.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Six States.
	No.	No.	No.	No.	No.	No.	No.
1891-1900 ..	20,467	—110,430	13,688	—15,395	116,197	352	24,879
1901-1910 ..	37,784	—60,545	18,168	—4,486	52,998	—12,304	41,615
1911-1920 ..	131,539	45,809	31,481	12,909	2,527	—17,535	206,730
1921 ..	1,684	3,351	4,420	4,413	65	—2,006	15,839
1922 ..	9,012	18,406	7,224	3,390	2,929	—3,212	37,749
1923 ..	3,492	16,497	10,789	4,823	5,283	—3,370	37,514
1924 ..	12,135	12,078	11,345	7,035	5,271	—4,495	43,370
1925 ..	10,199	6,837	13,553	6,649	3,189	—4,029	38,398
1926 ..	18,382	8,783	9,458	8,155	1,612	—5,354	41,036
1927 ..	21,885	11,262	5,228	3,013	8,457	—1,632	47,663
1928 ..	12,890	2,784	5,706	—2,684	8,517	—1,858	25,345
Total, 1901-1928	258,402	75,262	117,372	43,218	90,848	—51,843	533,259

NOTE.—Decrease is shown thus —.

It will be observed that while all mainland States have enjoyed appreciable increases in population since Federation, Tasmania has suffered a loss of 51,843.

The following figures were also submitted to the Committee showing the movements in male population, because of their quicker response to altered economic conditions, and because males were larger producers of material wealth and made larger contributions to the public revenues :—

INCREASE BY NET IMMIGRATION, 1861 TO 1928.—MALES.

Period.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Six States.
	No.	No.	No.	No.	No.	No.	No.
1861-1870 ..	26,365	—2,355	44,221	10,028	4,395	—3,310	79,344
1871-1880 ..	68,724	—13,789	40,128	28,889	—259	502	124,195
1881-1890 ..	100,341	71,819	73,381	—14,877	9,112	4,608	244,284
1891-1900 ..	7,617	—72,997	13,183	—9,732	76,396	48	14,715
1901-1910 ..	26,828	—28,671	12,786	—441	28,838	—7,555	30,622
1911-1920 ..	61,633	19,773	16,651	3,657	—3,593	—9,656	88,934
1921 ..	61	1,476	2,111	3,377	—174	989	7,610
1922 ..	6,092	13,170	5,004	1,718	—2,443	—2,443	26,397
1923 ..	3,756	8,490	7,046	4,616	3,836	—1,696	26,098
1924 ..	8,101	7,999	6,193	5,064	3,736	—2,500	28,849
1925 ..	4,897	4,501	8,969	5,994	2,202	—2,105	25,059
1926 ..	10,422	4,268	5,716	6,826	1,439	—3,261	26,231
1927 ..	12,592	5,624	4,152	—2,324	6,167	—735	31,290
1928 ..	6,763	—381	4,644	—1,628	5,317	—828	15,706
1861-1928 ..	3,444,260	19,327	244,184	45,815	141,229	—28,152	769,423

NOTE.—Decrease is shown thus —.

While Tasmania's net migration increased from 1871 to 1900; the decrease from 1901 to 1928 totalled 28,152. It would thus be seen that Tasmania had lost her population consistently since Federation. The figures for 1927 and 1928 showed a gratifying diminution in the loss of males; but it was not possible to assert with confidence whether this was indicative of an actual improvement in Tasmanian conditions or whether it was due to depression on the mainland. During the forty years from 1861 to 1900 the average yearly gain in the male population of Tasmania was at the rate of 82 per 100,000. During the 28 years (1901-1928) since Federation the average annual loss was at the rate of 1,074 per 100,000. During the period 1861-1900 the annual gain of males to the whole of Australia was 905 per 100,000 and during the period 1901-1928 it was 437 per 100,000.

Another aspect which must be taken into account in relation to Tasmania's loss of population was the heavy cost of rearing and educating the emigrants. All circumstances considered it was claimed that the average cost to Tasmania of her emigrants might be safely set down at £400 per head at the time of their departure. The loss to Tasmania represented gain to other States. The cost to the State Treasury of enterprising citizens supplied to the mainland could not, it was claimed, be less than £1,000,000.

The report of the census of Australia for 1911 indicated that, of the 18,055 native-born Tasmanian males who were living on the mainland, 9,231, or 51 per cent., were in Victoria, and 5,354, or 30 per cent., were in New South Wales. The census of 1921 showed the following results:—Tasmanian-born males living on the mainland, 23,127, of whom 11,781, or 51 per cent., were in Victoria, and 7,682, or 33 per cent., were in New South Wales. To say that these people were in Melbourne and Sydney would not involve a very serious mis-statement.

In his presidential address to the Australasian Association for the Advancement of Science at Wellington in 1923, Chas. H. Wickens, I.S.O., F.I.A., F.S.S., assigned a capital value of £1,676 to every male in Australia "as at the 30th June, 1915, and in terms of the prices at that date." Taking, however, the very moderate figure of £1,500 for each of the 30,000 males lost to Tasmania, the loss of human male capital represented an amount of £45,000,000, and allowing a third of this for the corresponding loss of females, the total loss to Tasmania of human capital may be set down at £30,000,000. Again quoting Mr. Wickens: "It thus appears that on the basis of the estimates here prepared the human capital of Australia has a value approximately equal to three times the whole of the material capital, both private and public." The loss of material capital by the unfavorable migration would therefore represent £20,000,000.

It was, of course, impossible to say to what extent Federation had been responsible for Tasmania's loss of population, but the pronounced divergence in the migration experience of Tasmania from that of the mainland provided strong presumptive evidence of some influence associated with Federation which had been detrimental to Tasmania.

THE INCIDENCE OF COMMONWEALTH LEGISLATION.

While it was generally admitted in evidence that it was impossible to measure in monetary terms the economic effects of Federation it was claimed that Tasmania had suffered by the direct and indirect influence of Federal policy. Following is a summary of the views placed before the Committee on the matter :—

The Tariff.—The high protective tariff was an almost unmixing burden to Tasmania with very little compensating benefit. It increased costs in the export industries by something like 10 per cent., but caused very little protected industry to be established in Tasmania. The effect was probably to add something like £400,000 to the cost of producing overseas exports without any addition to the prices received. There was, therefore, so much less income of a taxable kind, and, in addition, the further serious loss of income from the production which was made impossible by the increase in costs. The position, however, was complicated by the effects of interstate free trade which had made possible, under a common Australian tariff, certain manufacturing production for general Australian consumption, notably confectionery and some woollen goods. This benefit, however, was offset by the decline of older Tasmanian manufacturing industry in competition with production on a larger scale by the other States. While there was an increase of 70 per cent., in industrial bread-winners between the years 1901 and 1921 in Australia as a whole, the increase in Tasmania was only 20 per cent. Between 1921 and 1928 the increase for the Commonwealth amounted to a further 16.4 per cent. as against 3.6 per cent., for Tasmania. It would thus be seen that Tasmania, which depended largely on primary production, and which had a low taxable capacity, carried a disproportionate share of the costs involved in Australia's protective policy. It was recognized, however, that the free market on the mainland for Tasmania's primary products was some compensation for the heavy burden of the tariff. It was probable that, on a balance of all industries, primary and secondary, interstate freetrade was beneficial to Tasmania.

Navigation Act.—While the Navigation Act was accepted as the expression of the policy of Australia to protect and encourage Australian shipping, it was claimed that Tasmania, because of her special conditions, her geographical position, her predominant interest in interstate trade, and her partial dependence on the tourist traffic, bore a totally disproportionate share of the costs which the maintenance of an Australian Mercantile Marine involved. Here, too, it was admitted that it was impossible to separate the effects of Federation and Federal policy from the economic changes brought about by the war and the general progress of industry and production. It was also recognized that the rise in coastal freights and curtailment of services might be largely an inevitable consequence of world shipping conditions in which the Navigation Act had played but a small part. The fact remained, however, that increased freights and curtailment of services fell with especial severity on Tasmanian production.

The Federal Court of Arbitration.—It was claimed that the effects of the operation of the Arbitration Court rendered it difficult for Tasmanian industries to successfully compete with the mainland for the reason that the State was already suffering serious handicap on account of high shipping freights. Figures submitted in evidence showed that for the wages of adult males generally the average rate for Tasmania was at present 7 per cent. below the average for the rest of Australia, whereas for adult female wages the Tasmanian rate was about 15 per cent. below the average for the rest of Australia. While it was contended in evidence that the industries of Tasmania were handicapped by reason of high shipping freights and were thus in a relatively weak position to bear the costs involved in arbitration awards, it was also pointed out that, if the differences between wages on the mainland and Tasmania were more marked, there would be a greater incentive to migrate to the mainland. The Arbitration Court, therefore, insofar as it had acted as an equalizer of wages, had benefited Tasmania.

Further evidence tendered to the Committee in relation to the incidence of Commonwealth legislation was as follows:—

It is difficult to understand how the Tariff could adversely affect both primary and secondary industries. If secondary industries have languished in open competition with other States, then it seems to follow that the costs to the primary producer would have been greater if Tasmania had her own tariff. To that extent Federation should be counted as a benefit rather than a disability to the primary producer.

The phenomenal progress of primary industries in Western Australia under Federation rather disposes of the general charge that Federal activities have resulted in a serious burden to such industries.

It is not generally understood that a considerable portion of the Customs and Excise revenue is really taxation without any pretence of protection. Out of a total of £41,000,000 received last year it is estimated that £26,000,000 was collected from revenue and luxury duties and about £15,000,000 from purely protective duties. The whole of this revenue is applied to meet the inescapable obligations of the Commonwealth. War and Reparation Services cost £30,500,000 a year, Defence over £4,200,000, Old-age Pensions £10,000,000, Payments to States £11,500,000, or a total of £56,800,000, equal to about £9 per head of population. These obligations must be met out of taxation. If the protective clauses of the tariff were not in existence the £15,000,000 raised for protective duties would have to be obtained by some other form of taxation and primary industries would have to bear their share.

It is claimed that the Navigation Act is a serious disability to Tasmania, perhaps more so than the Tariff because Tasmania is so dependent on sea transport. It is admitted that it is not possible to assess the disability. It is stated, however, that "Tasmania bears a disproportionate amount of the costs imposed by the Act on account of the importance of its interstate and tourist traffic. The Navigation Act was the subject of a Royal Commission in 1924. The findings of the Royal Commission were not unanimous and three separate reports were submitted. The Chairman and one other Commissioner arrived at the conclusion that the Navigation Act had proved a serious disability to Tasmania, but the other five Commissioners did not support that view. Two of those three Commissioners expressed the view that Southern Tasmania had been affected so far as the tourist traffic was concerned but not nearly to the extent imagined by the people of Hobart. The other three Commissioners arrived at the conclusion that the Navigation Act had not affected the tourist traffic, or inflicted injury on Tasmanian industries; also that it had not retarded development or affected the financial position of the State.

While Tasmania has not benefited from Federal activities on the mainland such as the Federal Capital, Commonwealth Railways, Northern Territory, Murray Rivers Scheme, and the Queensland Sugar Industry, it has enjoyed substantial benefits in other directions from Federation. These include:—

- (1) Free markets on mainland for exportable products such as timber, hops, caribbe, apples and potatoes.
- (2) Assumption by Commonwealth of expensive State functions in respect of Defence, Post Office, Old-age Pensions, Maternity Allowances, Lighthouses, &c.
- (3) Special assistance by way of subsidies, &c., since 1912.
- (4) Surrender by Commonwealth to Tasmania in 1924 of its tax on lottery prizes.

It is not possible to assess in money terms the value of the free market to the mainland, but it is possible to give an approximate value of the other benefits referred to which come out of Commonwealth Revenue Account. (See statement on page 8 of this report.)

FINANCIAL ASSISTANCE TO STATES.—PRACTICE OF OTHER FEDERATIONS.

During its investigations the Committee endeavoured to ascertain the practices of other countries in relation to financial adjustments between the Central Government and the States. While no definite data was furnished to the Committee in the form of guiding principles some of the evidence is perhaps worthy of recapitulation.

SUMMARY OF EVIDENCE.

It was inevitable that there would always be trouble in the financial relations between the Commonwealth and the States. Similar troubles occurred in the United States of America, Canada, South Africa, and Germany. Difficulties occurred particularly where there was a great diversity in the size, population, development and resources of the different States forming a union. They also occurred in federations where most expenditure fell upon the States rather than on the Central Government, and where the cost of development, education, and other kindred services were a State concern. At the time of the Australian Federation about 80 per cent. of the expenditure was left to the States. That naturally made any adjustments very important. At the present time adjustments were more difficult in Australia because Australia had not a great margin of prosperity above its basic requirements. In that respect Australia was unlike the United States of America and Canada. For over twenty years the United States of America had provided large sums of money to alleviate State difficulties. The assistance was nearly always indirect such as the provision of roads and educational facilities.

Canada made direct payments to the States and had been very generous to the Maritime Provinces. During recent years a remarkable ease parallel with that of Tasmania had been established in Canada in the treatment of these Provinces. The circumstances of the Maritime Provinces were so similar to those of Tasmania that the conclusions of the Royal Commission which dealt with the investigation were very pertinent to the present situation of Tasmania. The Maritime Provinces of Canada (Nova Scotia, New Brunswick and Prince Edward Island) comprised about 2.3 per cent. of the area of the Dominion excluding Yukon and the North-West Territories. They were the oldest and the most densely populated of the Provinces, and in 1925 had about 11 per cent. of the population and 6 per cent. of the wealth of the Dominion. They had been steadily losing population to the younger Provinces. In 1926 the Dominion Government appointed a Royal Commission to inquire into the claims of the Maritime Provinces for more equitable treatment. The Commission's conclusions on the financial claims were as follow:—

On a full consideration of their arguments and their circumstances, we think the Maritime Provinces have made out a case for a revision of the grant from the Dominion in support of their Government machinery and activity.

The Commission concluded its recommendations on financial arrangements with these words:—

We believe it is sufficient minimum interim payment to ensure that the Governments of these Provinces will approach any stable settlement of their financial relationships with the Dominion, not in a spirit of meticulous bargaining, but in the broad spirit which arises from a feeling of their being met with sympathy and fairness rather than with narrow compromise. These payments, also, will enable the Provinces to undertake the more extensive progress in relation to agriculture, colonization, education, and other spheres of administration, which they represented to us they were precluded from undertaking now because of the inadequacy of their assistance from the Dominion Government.

Further recommendations were made by the Royal Commission for reductions in freights, for other assistance to transport, and to the products of the Maritime Provinces, for a geological survey, for technical and agricultural education, and for the encouragement of tourist traffic, most of which required further investigation. The most significant aspects of the report were:—(a) the very great discrimination recommended between the Maritime and other Provinces; and (b) the recognition of the equitable basis for that discrimination. The following extracts were taken from the introduction to the report on the "equity" of the claims by the Maritime Provinces and the general economic position:—

It is not possible in such an undertaking as the making of Canada, with its geographical and physical conditions, and its variety of settlement and development, to maintain always an accurate balance, apportioning to every section of this extensive country the exact quality of benefit and quantity of advantage which would be theoretically and justly desirable. But reasonable balance is within accomplishment if there be periodic stocktaking. We venture to regard the present occasion as such a period of stocktaking, so that in the future progress of the common great enterprise the prospects of the Maritime Provinces may be brought into line with the prospects of other parts of Canada, and the prospects of the Dominion as a whole.

Confederation, too, is no longer an experiment. Its achievements in the complicated art of nation-building have brought it to a point of development which more than justifies the hopes and the vision of the early builders. The Maritime Provinces have produced, in every walk of life, men who have played a high part in the story of achievement. We believe that the claims which these Provinces have submitted in connexion with the present conditions, and the future possibilities of the part of those Dominion, should now be reviewed, with sympathetic consideration and understanding, so that in approaching the future a better balance of territorial prosperity can be assured and the original hope of Confederation—unity, prosperity, and contentment for all the Provinces as well as for the whole of Canada—can be made capable realization.

The Canadian report was commended to the consideration of the Commonwealth in complete confidence that it would be found to support every article of Tasmania's claim.

Further evidence tendered to the Committee indicated that probably Canada and Switzerland were the only other Federations which granted financial assistance to States on the ground that they were receiving less benefit from Federation than neighbouring States. There was no provision in the Constitution of the United States of America corresponding to Section 96 of the Constitution of the Commonwealth, but under Section 3(1) of their Constitution there was power to provide for the common defence and general welfare of the United States, and this sub-section like Section 81 of the Constitution of the Commonwealth, had been interpreted as giving Congress power to vote money for any purpose which it considered to be in the public interest. Congress had by virtue of this power voted money for permanent improvements in the States and for a number of other purposes, such as vocational education, road-making, and road improvements. These grants for special purposes were not as a rule offered to named States, but to such States as accepted and performed the conditions on which they were offered. These conditions usually included the payment of contributions by the States and the maintenance of a prescribed standard of efficiency. The right of the federation to make grants and its exercise of an apparently unlimited power to impose conditions on the States had been attacked in a number of cases. It was probable that by the method of making grants Congress had relieved the States of expenditure which they would have been obliged to incur and compelled them to incur expenditure from which they otherwise might have been free. The position in the United States of America, however, differed from that in Australia owing to the fact that the greater part of the public lands were owned by the Federal Government and not by the Government of the States. The central government had frequently assisted the States by granting them lands or the proceeds of the sale of lands usually for educational purposes. It was only in recent years, as the States had become more numerous and their relative importance had declined, that the practice had become general of making grants out of the consolidated revenue for special purposes and subject to conditions.

The German Constitution contained a declaration of principle with regard to the relations of the States and the Central Government in Article 8 which provides:—

The Reich has legislative power as regards taxes and other revenues in so far as they are appropriated wholly or in part to its purposes. Should the Reich appropriate taxes or other revenues hitherto appropriated wholly or in part for the various States it must take into consideration the maintenance of the vitality of those States.

This principle had been carried out in practice by the allocation to the States of certain portions of the taxes levied by the Reich. By a law of the Reich passed in 1927 it was further enacted that in order to permit the States and communes to be in a position to fulfil their functions, especially their social and cultural functions, if the proportion of the income tax, turnover tax and corporation tax allotted to the States in the total for the fiscal year 1927-28—and that was continued for subsequent years—fell below a specified amount, the amount lacking was to be appropriated to the States in the national budget. Further, it was enacted that if a State were in difficulties it may apply to the Minister of Finance of the Reich for an increased grant and, if the State authorities and the Minister disagreed, the Minister may cause an investigation to be made of the State and municipal budgets. If the disagreement continued an application may be made to the Reichsrat or Council of States, the only equivalent to the Commonwealth Senate, which appeared to have authority to make a grant. The German Constitution appeared to be still in a state of flux and it was probable that changes in the relative positions of the States and the Reich would be made at an early date, so that it was difficult to speak with confidence of the application of these powers. Further, the powers of the Reich to deprive the States of revenue were greater than the powers of the Commonwealth in Australia. It was thought, however, that the German Constitution afforded a striking example of the recognition of an obligation on the part of a Government possessing unlimited power of taxation towards another government which had been deprived of some of its sources of revenue, but was still responsible for the exercise of important functions. It may be noted that the final appeal was to the Council of States which in Germany had a voice in the legislation of the Reich. There was no such legislative or consultative body in Australia, but there was a close analogy in the Loan Council. It may be that the authority which considers the loan requirements of the States might also be charged with the duty of considering applications for grants.

In the Swiss Constitution under which, subject to certain safeguards, the cantons had the control of primary education, since 1902 a provision has been included to the effect that "subventions shall be paid to the cantons to aid them in carrying out their obligations in respect of primary education." It was further provided that a yearly indemnity shall be paid to certain named cantons for the purposes of enabling them to safeguard International Alpine Highways. In Switzerland, however, the taxing power of the central government was limited, and contributions were exacted from the cantons, the contributions being assessed according to the wealth and taxable capacity of each canton.

In Austria the federation had authority to decide which sources of revenue shall be available to the provinces and which to the Federal Parliament and what contribution shall be made from the federal funds towards provisional expenses. Within the provinces the provincial parliaments had a similar power of determining the relations of the provinces with the communes or local government units.

The reconstitution of the Interstate Commission had been recommended by the respective commissions which inquired into the finances of Western Australia and South Australia, and again by the Royal Commission on the Constitution. It was obvious that these three bodies recognized the value of uniformity in principle, and also the importance of eliminating, or, at all events, diminishing the element of political patronage associated with claims for financial assistance.

The alternative suggested for the purpose of investigating applications for financial assistance by States was the Loan Council. Part of its duties at present was to consider the financial position of the States and the Commonwealth. The Loan Council could be assisted by reports of expert investigators, and could then exercise a control over grants to States similar to that which is at present exercised over State and Federal borrowing. There was probably no parallel in other federations to the position of the Loan Council, but it offered scope for the development of co-operation between the Commonwealth and the States which was eminently in accordance with the federal system.

OBSERVATIONS AND RECOMMENDATIONS.

Having carefully studied the general economic position of Tasmania, the Committee has come to the conclusion that the present grant of £250,000 a year for five years is not sufficient to enable the Government to maintain adequately essential services, and to stimulate to the extent necessary the development of the primary industries of the State. The difficulties of Tasmania are accentuated by her geographical position, unproductive loan expenditure, the increasing burden of interest without any proportionate increase in population, the persistent and increasing losses on the railways, low taxable capacity, high cost of development, heavy costs involved in sea transport, dearth of secondary industries, the restricted area of productive lands, soil exhaustion and small population.

The Committee is strongly of opinion that the best way to assist Tasmania is to help her to increase her income by internal means, viz., by augmenting her primary production. After a careful study of the rural industries of Tasmania the Committee is convinced that, by the application of scientific and up-to-date methods, a very profitable source of additional income can be secured for the State. The Committee is confident in the belief that if the primary industries, particularly dairying and fat lamb raising, are properly developed the added wealth arising therefrom will, in the course of a few years, go a long way towards removing the necessity for substantial assistance from the Commonwealth. The marked decline in the value of mineral products affords an additional reason for greater development of the rural industries.

STATE FINANCE.

After a careful analysis of the financial position of the State of Tasmania the Committee is satisfied that during recent years an honest endeavour has been made to carry out the functions of government with efficiency and economy.

For the ten-year period 1919-20 to 1928-29 the average annual expenditure from revenue per head of population in Tasmania was £11 14s. 11d., while the average for all the States was £16 12s. 4d.

For the same period Tasmania's average annual loan expenditure per head of population was £4 11s. 11d., the average for all States being £5 12s. 11d.

Taking revenue and loan expenditure combined for the period stated, the average yearly expenditure of Tasmania per head was £16 6s. 10d., while the average expenditure for all the States was £22 5s. 3d.

Compared with other States the loan expenditure of Tasmania per head of population for the five years ended 30th June, 1929, was very moderate, as will be seen from the following figures:—

	£
New South Wales	25
Victoria	24
Queensland	19
South Australia	47
Western Australia	58
Tasmania	8
All States	27

Lack of revenue has forced the Government of Tasmania to adopt a far lower level of governmental expenditure than the other States. The figures shown on page 11 illustrate the position. The Committee is of opinion that no State in the Commonwealth should be much below the Australian standard in fundamental services.

With regard to business undertakings Tasmania's position is decidedly weak in comparison with other States. Comparative figures, which are set out in detail on page 11, show that while the profit on working per head in all States over a period of five years was £2 8s. 4d., Tasmania's profit was only 15s. per head. In other words the business undertakings of Tasmania returned only 31 per cent. of the average of all States.

According to figures supplied to the Committee the net annual cost per head of population of developmental utilities in Tasmania for 1927-28 was £3 1s. 11d., as compared with an average of 5s. 10d. per head for all States. Thus the disadvantage to Tasmania amounted to no less than £2 16s. 1d. per head of population.

TAXATION.

The Committee carefully examined all sources of State revenue in Tasmania with a view to ascertaining whether Parliament had taken reasonable steps to meet the adverse financial position by means of taxation. Investigations revealed that motor taxation in Tasmania was lower than that of any other State, and that an additional £19,000 per annum could be secured by increasing this avenue of taxation to the Australian average. The Committee is of opinion that motor taxation in Tasmania should be brought up to the level of that of other States, particularly in view of the heavy cost of road construction and road maintenance in that State. It was indicated to the Committee in evidence that increases in motor taxes were at present receiving the consideration of the State Government.

With regard to income tax the Committee found that, while the lower incomes in Tasmania are taxed to an extent considerably above those of other States, South Australia excepted, the tax on the higher incomes is lower than that of most of the States (vide table on page 12). The Committee was informed in evidence that if the higher incomes in Tasmania were taxed on a level with those of the other States not more than £15,000 per annum additional revenue could be raised by that means, and that if the Australian average tax were applied to all incomes in Tasmania it would involve an annual loss of £800 because the lower incomes, which produce a large percentage of the total tax, are taxed with much greater severity than those of all States except South Australia. It was represented to the Committee that if higher taxation were imposed on the larger incomes it would give rise to a flight of capital to the other States. It was also contended that, having regard to taxable capacity, taxation in Tasmania was considerably above the Australian average.

With regard to the fear of "flight of capital", the Committee is inclined to the view that the present economic position of the other States, where heavier taxation has been imposed or foreshadowed, is not likely to disturb, to any serious degree, capital invested in Tasmania.

As to taxable capacity the Committee is satisfied that Tasmania's ability to pay taxation is considerably lower than that of the other States. The Committee cannot accept the position, however, that the severity of taxation in Tasmania is over 50 per cent. above the average of Australia. Calculations made on the basis of the latest taxation figures available show that the severity of taxation in Tasmania is much below the figure stated. The following figures show the taxable capacity of Tasmania for the past few years:—

Average last two years	49	} Australian average 100
Average last three years	46	
Average last four years	47	
Average last five years	52	

Applying these figures to the taxation figures for 1928-29 the following results are obtained:—

Taxable capacity.	Severity of Taxation.
49	129
46	138
47	135
52	122

(* The manner in which severity of taxation is measured is explained on page 16.)

It will thus be seen that the severity of taxation in Tasmania is nearer to 30 per cent. above the Australian average.

Having carefully reviewed the taxation position in Tasmania the Committee is of opinion that motor taxation should be increased to the Australian standard, and that the State Government should carefully investigate the possibility of increasing taxation on the higher incomes to the Australian average.

TRANSPORT.

RAILWAYS.

The financial position of the railways, which is set out in detail on page 17, calls for special comment. The persistent and increasing loss on the railways no doubt represents one of the State's greatest disabilities. The losses, including interest, for each of the last five years were:—

	£
1924-25	263,163
1925-26	242,046
1926-27	297,095
1927-28	303,098
1928-29	344,032

The seriousness of the position may also be gauged from the fact that at 30th June, 1929, the accumulated loss on working, including interest, was £5,592,880, which represents 86 per cent. of the total capital cost of the railways. Even these figures do not reflect the true position, because from the inception of the railways to 1926-27 no provision was made for replacements and depreciation.

The following figures based on earning power demonstrate very forcibly the unsound position of the Tasmanian railways:—

Period 1919-20 to 1928-29.

	Average Annual Total Capital.	Surplus Capital.	Percentage of Surplus Capital to Total Capital.
	£	£	
New South Wales	99,000,000	12,000,000	12
Victoria	67,000,000	15,000,000	22
Queensland	51,000,000	33,000,000	65
South Australia	24,000,000	10,000,000	41
Western Australia	20,000,000	8,000,000	30
Tasmania	6,000,000	5,000,000	83
All States	287,000,000	81,000,000	30

An outstanding feature of the figures quoted is the very high percentage of surplus capital in the case of Tasmania.

The position of accrued depreciation of the Tasmanian railways has, to some extent, been improved by the application of £866,000 of sinking funds to the redemption of railway debts. This amount, however, does not materially alter the comparative percentages, as it is stated in evidence that similar adjustments would have to be made in other States.

Another serious disability associated with the Tasmanian railways is the obsolete rolling stock, which is naturally a great handicap to economical working. In this connexion the Committee is pleased to learn that the Commissioner for Railways contemplates the purchase of a number of Sentinel-Cammell steam-driven rail cars, which will, the Committee was informed, enable the Department to provide better services at considerably lower costs. The Committee is of opinion that these new cars should be purchased as soon as possible.

As already indicated no provision was made until 1926-27 to meet wastage of railway assets. In that year, as the result of recommendations of a special Committee, it was decided to establish a Replacements and Depreciation Fund by an annual provision of £53,000 which is made up thus:—

	Capital Value.	Annual Provision.	
	£	Rate.	Amount.
	£	%	£
Rolling-stock	1,170,000	2	23,400
Workshop buildings and machinery	310,000	1½	4,650
Ways and Works	4,970,000	1	(est.) 25,000
	6,450,000		53,000

Up to date the contributions to the fund have been as follow:—

1926-27	£
1927-28	52,500
1928-29	53,000
	10,000
Total	115,500

Owing to shortage of funds no provision was made for 1929-30. The establishment of the Replacements and Depreciation Fund was favorably commented upon by the State Auditor-General, and in the report of the Internal Transport Committee of the Development and Migration Commission the following observations appear:—

It is also considered necessary that, in addition to crediting the Railway Capital Account with a proportionate amount of the sinking funds established in connexion with Tasmanian State debts, that a reasonable depreciation and renewals fund to provide for accruing depreciation be provided to enable the Railway Department to renew rolling stock, plant, and equipment as may be necessary to maintain its earning capacity or reduce its costs of operation, the method to be adopted in providing this fund being a matter for decision by the State Government. We consider that the amount of £50,000 per annum for this purpose is not excessive.

The Tasmanian Commissioner for Railways is of opinion that the annual provision for depreciation should not be reduced below £50,000.

During the course of its investigations the Committee ascertained that an amount of £30,000, representing part of the lost capital on the closed Scoll line, had been charged to the Replacements and Depreciation Fund. The Committee is strongly of opinion that the Depreciation Fund should not have been used for this purpose, particularly when new rolling stock was required, and suggests that the entry be written back. The balance in the Depreciation Fund at 30th June, 1930, was £16,922, and this amount has been allocated to specific services.

Having carefully examined the position of the Tasmanian railways the Committee recommends:—

- A grant of £53,000 a year for five years for payment to the credit of the Railways Replacements and Depreciation Fund;
- A loan, free of interest for five years, of such sum as is necessary to purchase ten Sentinel-Cammell steam-driven rail cars. Such portions of the cars that cannot be procured in Australia should, in the opinion of the Committee, be admitted duty free.

SHIPPING.

Having regard to the fact that the Commonwealth has provided railway communications in mainland States at very considerable cost, and that Tasmania is seriously handicapped by reason of her geographical position, the Committee feels that an obligation rests upon the Commonwealth to assist the State in the provision of suitable shipping facilities. The Committee is of opinion that an improved service should be provided between Melbourne and Launceston and the northern ports of Tasmania, and that freights and fares should be reduced.

With regard to the Hobart-Sydney service the Committee considers that a regular service should be maintained. It is thought, however, that the retention of a large vessel like the *Zealandia* cannot be justified throughout the year, and that during the winter months at least a vessel of the *Riverina* type should be sufficient to cope with the traffic offering.

The Committee is of opinion that the provision of more refrigerated space is an urgent necessity. It was pointed out in evidence that the dairying industry, particularly in the north and north-western parts of the State, is seriously hampered owing to the lack of refrigerated accommodation. The following evidence briefly illustrates the position:—

We manufacture about 800 tons of butter a year. We have a freezer here. We can get our butter down to the right temperature for export, but as they have no refrigerated space on the ship we find it difficult to land our butter on the mainland in good condition. As a matter of fact, it costs us 11d. a box to export our butter, which is very much higher than the mainland price. I think the Victorian cost is about 4d. When the butter gets to the mainland it has to be put into a refrigerator to get the right temperature for overseas shipping. That extra handling costs us 2s. a box, as against the mainland price of 4d. or 5d. In handling large quantities, that extra expense becomes a big factor. It is most important that we should be provided with better steamer accommodation, with refrigerated space. Our industry cannot make proper progress without it.

It was also represented to the Committee that the fat lamb industry, the fishing industry and the green pork industry of Tasmania could be developed if the necessary cool storage were available on boats trading between Tasmania and the mainland. It is worthy of note that the value of Australia's annual importations of green pork approximates £75,000.

TRANSPORT GENERALLY.

The extensive use of motor transport in Tasmania has undoubtedly produced uneconomic competition with the State railways. Such competition is not, of course, peculiar to Tasmania, but, owing to the short distances and the extensive road system in Tasmania, it is perhaps felt with more severity in Tasmania than on the mainland. The Committee is pleased to report that definite steps have been taken by the State Government to cope with the internal transport problem. The Transport Board substantially on the lines recommended by the Development and Migration Commission has been established and already active steps have been taken to eliminate uneconomic competition.

RURAL INDUSTRIES.

The Committee entirely agrees with the principle laid down at a conference of State and Federal Ministers in May, 1926, when it was decided that the mere making of a money grant was not the solution of Tasmania's problems, and that the true principle was to discover the causes of the financial difficulties and seek to provide means for their removal. After close investigation the Committee is satisfied that Tasmania's economic troubles may be ascribed in a large measure to failure in the past to properly appreciate the value of the application of scientific methods to the rural industries. As a result the soils have become impoverished, and yields have seriously declined. During its investigations, however, the Committee was pleased to learn that, since the Agricultural Department of Tasmania was re-organized about two years ago, as a result of recommendations of the Development and Migration Commission, much good work had been done in educating farmers to recognize the benefits to be derived from the proper use of scientific knowledge.

While excellent work has been done by the re-organized Agricultural Department and encouraging progress has been made the Committee is convinced that a much more vigorous policy is necessary in the future to consolidate and make fully productive the preliminary stimulus that has been given to the primary industries of the State. In other parts of this report the views of experts on the agricultural, pastoral and horticultural possibilities of the State are clearly expressed, and the Committee commends the advice tendered to serious consideration.

Expert witnesses who appeared before the Committee strongly urged the establishment of an experimental farm and sub-stations as a necessary adjunct to the Agricultural Department. Without such a farm the much-needed development would, it was claimed, be seriously hampered. The Committee was impressed with the evidence on this matter, and is satisfied that assistance should be given to the Agricultural Department to develop and stimulate primary production by the establishment of an experimental farm and/or by any other effective means of organization.

The Committee is thoroughly in agreement with the views of experts as to the greater possibilities of dairying and fat lamb raising in Tasmania, the climate and other conditions being ideal for the purpose. In New Zealand, where climatic conditions are somewhat similar, fat lamb raising has been most successful. It was stated in evidence that on the London market New Zealand lambs were regarded as the best in the world, and that fat lambs of equal quality could be raised in Tasmania.

In the opinion of the Committee, fat lamb raising in Tasmania can be developed into a profitable industry provided scientific methods are employed, and that suitable refrigerated shipping space is made available.

In view of the importance of establishing the rural industries of Tasmania on a sound basis, the Committee recommends:—

- A grant of £15,000 a year for five years for the purpose of further developing the agricultural, pastoral and horticultural resources of the State; and
- That the services of the Commonwealth Council for Scientific and Industrial Research be made available to the State, so that co-operation may be established between that body and the State Agricultural Department.

WHEAT.

On page 28 of this report a summary is given of the expert advice tendered to the Committee on the possibility of improving the standard of wheat in Tasmania. The Committee commends the advice given to those competent to assess its value. As the matter is essentially one for scientific investigation the Committee can do no more than suggest that, if the experimental farm recommended by expert witnesses be established, it would be an appropriate agency through which researches and experiments could be conducted. It might be mentioned that in 1927-28 Tasmania imported 770,000 bushels of wheat from the mainland at a value of £226,548. It is clear, therefore, that if Tasmania could improve her wheat to the mainland standard it would add materially to the wealth of the State.

FRUIT.

During its official inspections of Tasmania the Committee was able to gauge the importance to the State of the fruit industry, which not only provides a means of livelihood for a considerable number of people, but gives rise to a large amount of employment for persons engaged in other trades or occupations; for example, saw-millers, carters, wood-wool manufacturers, case-makers and others. From evidence tendered the Committee is satisfied that the fruit-growers are labouring under certain disabilities, and these should, in the opinion of the Committee, be the subject of a special investigation by the Development Branch of the Prime Minister's Department. The Committee feels that if an expert investigation were made on such matters as fruit export regulations, and the advisability of making use of the knowledge of the State Fruit Advisory Board, recommendations would probably be made and adopted which would be of great benefit to the industry.

On page 30 reference is made to the necessity of an export bounty on evaporated apples. In view of the evidence tendered on this matter the Committee recommended to the Minister for Markets that serious consideration be given to the question of assistance to this industry. In the light of additional evidence the Committee is of opinion that the question of assisting the evaporated apple industry should form part of the investigation suggested above.

HOPS.

The Committee holds the view that the position of the hop industry in Tasmania is worthy of careful consideration. In view of the fact, however, that this industry has been the subject of special investigation at the instance of the Commonwealth Government the Committee feels that it would be inappropriate to make any further comment.

FORESTRY.

The Committee is satisfied that the timber resources of the State must, as far as is reasonably practicable, be conserved. The funds at the disposal of the Forestry Department are not, in the opinion of the Committee, adequate to enable it to function on a basis which the importance of this national asset demands. The Committee recommends, therefore, a special grant of £3,000 a year for five years for the purpose of surveying and exploration.

CARBIDE.

As will be seen on page 31 of this report, strong representations were made to the Committee on behalf of the carbide industry that the protective tariff on imported carbide should be increased from £10 to £18 13s. 4d. per ton. The Committee proposed to recommend that the carbide industry be further protected to the extent indicated, but has learned that a recent tariff schedule submitted to Parliament has fully met the situation. It is gratifying to the Committee to know that the assistance so rendered will enable the carbide industry to become stabilized, and thus provide continuous employment for a large number of operatives.

HYDRO-ELECTRIC SCHEME.

Evidence placed before the Committee indicated that a considerable amount of machinery had to be imported for the Hydro-Electric Department in Tasmania and that the amount of Customs duty paid on such machinery was £212,000. It was stated that the remissions of duty represented 37 per cent. of the duty payable. It was also represented to the Committee that remissions allowed to the Victorian Government in respect of imported electrical machinery represented about 77 per cent. of the duty payable. As the Committee held the view that similar treatment should be extended to all State Governments which were obliged to import electrical machinery, endeavours were made to obtain from the Department of Trade and Customs information which would enable the Committee to compare the concessions granted to different States, but advice has been received that the information sought by the Committee will take some time to compile. The Committee is therefore obliged to present its report to Parliament without essential information on which to base conclusions. In the circumstances the Committee suggests that the State Government of Tasmania should further negotiate with the Department of Trade and Customs if it is satisfied that the Hydro-Electric Department has not received the full measure of relief to which it is entitled.

SOLDIER SETTLEMENT.

As the question of soldier settlement has been exhaustively investigated and reported upon by another authority, and has been the subject of negotiation between the Commonwealth and State Governments, the Committee feels that it is not within its province to make any comments thereon.

POPULATION.

The Committee recognizes the disabilities suffered by Tasmania owing to her small population and her losses through emigration. The Committee feels, however, that, if action is taken to stimulate development on the lines suggested in this report, it will go a long way towards maintaining the existing population and creating avenues of employment for a larger number of people.

APPOINTMENT OF PERMANENT BODY TO STUDY THE FINANCIAL RELATIONS OF THE COMMONWEALTH AND THE STATES.

The Committee is strongly of opinion that the time has arrived when a permanent body should be appointed to make a continuous study of the financial relations of the Commonwealth and the States. Of recent years the task of investigating the finances of three of the States—Western Australia, South Australia and Tasmania—has been assigned to different bodies, involving the expenditure of a considerable amount of public money. The reports submitted to Parliament indicate that the investigations were conducted with efficiency and thoroughness, and that a considerable amount of research was involved in their preparation. With the growing complexity of the finances of the Commonwealth and the States, however, the Committee holds the view that the financial relations of the Commonwealth and the States should be the subject of a continuous and intensive study by a permanent body. In fairness to the Commonwealth and the States uniform methods and procedure in relation to financial assistance to the States should be evolved. The essential requirement is that all questions of State grants should be referred to the same body for investigation. Uniformity cannot be achieved in any other way. The Committee fully recognizes that the principles of determining grants cannot be developed and clarified in a day; but the importance of the matter to the Commonwealth, the States and the taxpayers demands that there should be no further delay in setting up a body capable of evolving definite basic principles under which the claims of any State may be measured or assessed from time to time without the necessity for protracted investigation.

The Committee is of opinion that the permanent body suggested should be composed of a representative of the Commonwealth Treasury with a close knowledge of Commonwealth and State finance, the Director of Development, and a qualified economist who should be attached to the office of the Commonwealth Statistician. The Committee also holds a strong view that in the investigation of any State's claim for financial assistance a Treasury officer from the State concerned should be temporarily attached to the proposed permanent body during the course of the inquiry.

During its investigations the Committee found it necessary to examine the financial statements of the various State Governments. A noticeable feature of these statements was the lack of uniformity in the methods of setting out the financial position of important Governmental activities. Researches were, on this account, rendered very difficult. The Committee is of opinion that early steps should be taken with a view to establishing, as far as possible, uniform methods in connexion with the preparation of Commonwealth and State financial statements. If the States could be induced to co-operate in the direction suggested, a study of Commonwealth and State accounts would be greatly facilitated. The establishment of uniform principles would be particularly helpful to any permanent body created to make a continuous study of the financial relations of the Commonwealth and the States. Moreover, researches of members of Parliament and others interested in public finance would be appreciably simplified if similar methods of presenting public accounts were generally adopted.

With regard to the first item in "The Case for Tasmania 1930", viz., Estimated Deficiency in Consolidated Revenue—£22,000, there was a division of opinion in the Committee. The following members voted that the item be disallowed:—

Senator O'Halloran, Acting Chairman, Senator Hoare, Messrs. Chifley, Francis, Gardner and Green.

Senator J. B. Hayes, and Messrs. Guy and Yates held the view that the item should be allowed. Senator Hayes and Mr. Guy explained to the Committee that they strongly supported every item of the "Case", but in order to secure some measure of assistance for Tasmania they would agree to the adoption of the report of the majority of the Committee.

SUMMARY OF RECOMMENDATIONS.

- The Committee recommends:
- (1) A special grant of £53,000 a year for five years for payment to the credit of the Railways Replacements and Depreciation Fund;
 - (2) A loan, free of interest, for five years of such sum as is necessary to purchase ten Sentinel-Cammell steam-driven rail cars. Such portions of the cars as cannot be procured in Australia should be admitted duty free;
 - (3) That an improved shipping service with adequate refrigerated space be provided between Melbourne and Launceston and the northern ports of Tasmania, and that freights and fares be reduced;
 - (4) That a regular shipping service be maintained between Hobart and Sydney;
 - (5) That motor taxation in Tasmania be increased to the average of the mainland States;
 - (6) That the State Government carefully investigate the possibility of increasing taxation on the higher incomes in Tasmania to the Australian average;
 - (7) A special grant of £15,000 a year for five years for the purpose of further developing the agricultural, pastoral, and horticultural resources of the State; and that the services of the Commonwealth Council for Scientific and Industrial Research be made available to the State, so that co-operation may be established between that body and the State Agricultural Department;
 - (8) That close consideration be given to the sections of this report which contain expert advice in relation to the development of the rural industries of Tasmania;
 - (9) That the fruit industry of Tasmania be the subject of a special investigation by the Development Branch of the Prime Minister's Department;
 - (10) A special grant of £3,000 a year for five years to the State Forestry Department for the purpose of surveying and exploration;
 - (11) That a permanent body be appointed to make a continuous study of the financial relations of the Commonwealth and the States;
 - (12) That an effort be made to bring about uniformity in the preparation of Commonwealth and State financial statements;
 - (13) That, if it be found on investigation that the Hydro-Electric Department of Tasmania has not received a similar measure of relief to other States in respect of remissions of duty on imported electrical machinery, an adjustment should be made so as to ensure equality of treatment for the State of Tasmania.

A copy of "The Case for Tasmania, 1930" is submitted herewith.

The Committee desires to record its sincere appreciation of the valuable assistance rendered by the large number of witnesses who appeared before it.

M. R. O'HALLORAN

Acting Chairman

Office of the Joint Committee of Public Accounts,
Parliament House,

Canberra, 7th August, 1930.

APPENDIX "A"

STATEMENT SUBMITTED ON BEHALF OF THE COMMONWEALTH TREASURY.

APPROXIMATE ALLOCATION AMONGST THE STATES OF THE RECEIPTS AND EXPENDITURE OF THE CONSOLIDATED REVENUE FUND FOR 1928-29.

	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total.
Revenue collected by the Commonwealth.	£000	£000	£000	£000	£000	£000	£000
Direct taxation including proportion of Central office income tax collections on population basis	5,578	4,774	1,499	1,299	752	327	15,229
Customs and Excise on population basis	15,843	11,410	5,939	3,754	2,630	1,403	40,979
Other Revenue	1,829	890	470	304	281	105	3,259
Proportion of temporary advance to cover deficit on population basis	23,650	17,074	7,908	5,357	3,643	1,835	66,467
	1,101	793	413	261	183	99	2,849
	24,751	17,867	8,321	5,618	3,826	1,933	62,316
Expenditure by Commonwealth in and on behalf of States.							
Contribution towards interest on State Debts	2,917	2,127	1,096	704	474	267	7,585
Contribution towards Sinking Fund	341	204	144	122	91	30	933
Special Grant (for 1929-30)					300	250	550
Grant for Roads	552	360	376	228	384	100	2,000
Invalid and Old-age Pensions	3,869	3,004	1,393	818	570	435	10,134
War Pensions	2,879	2,307	880	618	837	334	7,755
Maternity Allowances	271	171	95	68	45	24	663
Bonuses—amphibious and steel products; wine export, cotton and canned fruit	833	35	657	91	4	4	1,524
Interest on transferred properties (excluding Post Office)	129	54	83	14	15	15	260
Post Office	Cr. 93	Cr. 129	Cr. 59	103	30	92	Cr. 56
Profit Loss							
	11,198	8,133	3,993	3,014	2,755	1,611	30,704
Departmental expenditure (including proportion of Central Office expenditure)	3,824	2,897	1,534	954	749	353	10,221
War Interest and Sinking Fund, &c., after deducting interest repaid by States on Loans for Soldier Settlement (on population basis)	7,030	5,710	2,972	1,879	1,317	701	20,599
Loss on Railways (on population basis)	192	138	72	45	32	18	497
Territories of the Commonwealth (on population basis)	140	107	56	35	25	13	385
	23,293	16,805	8,627	5,927	4,878	2,699	62,316
Benefit from Consolidated Revenue Fund							
Contribution to Consolidated Revenue Fund	1,458	972	1,906	300	1,052	763	6,451
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Benefit per head of population	0 11 11	0 11 1	0 6 8	0 10 8	2 11 10	3 10 6	..
Contribution per head of population	0 11 11	0 11 1	0 6 8	0 10 8	2 11 10	3 10 6	..

* Results according to Departmental system of accounts.
In 1924 the Commonwealth gave up to Tasmania its taxation of lottery prizes which was equivalent to a permanent grant of £111,000. The net benefit to Tasmania is therefore £874,000, equal to approximately £4 per head of population.

APPENDIX "B"

TASMANIA.

STATEMENT SHOWING ANNUAL SURPLUSES AND DEFICIENCIES OF CONSOLIDATED REVENUE FUNDS, ALSO ANNUAL AGGREGATES, FOR THE YEARS 1866 TO 1929 INCLUSIVE.

Year.	Revenue.		Expenditure.		Annual Surplus.		Deficiency.		Aggregate.		Deficiency.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
On 31st December, 1866	251,801	6 10	255,415	10 0	3,624	3 11	4,065	14 11	8,091	11 0	..	..
On 31st December, 1867	258,130	8 0	259,853	2 8	1,723	4 8	4,548	10 4	..	..	..	..
On 31st December, 1868	277,717	11 3	280,855	16 0	3,138	4 10	1,410	11 6	..	..	..	..
On 31st December, 1869	268,086	16 8	281,532	0 2	12,446	3 0	..	..	..	..	..	..
On 31st December, 1870	270,451	8 8	288,420	17 11	14,969	11 3	..	..	..	..	..	..
On 31st December, 1871	271,904	1 0	289,002	3 4	17,098	1 7	..	..	..	..	..	..
On 31st December, 1872	326,804	16 8	301,382	11 1	10,512	5 5	..	..	..	..	..	..
On 31st December, 1873	322,686	8 8	322,271	17 7	7,414	9 1	..	..	..	..	..	..
On 31st December, 1874	340,007	0 0	332,864	14 0	7,202	15 9	..	..	..	..	..	..
On 31st December, 1875	322,015	12 10	338,001	6 2	10,085	13 4	..	..	..	..	..	..
On 31st December, 1876	301,830	16 0	348,047	18 2	13,282	17 10	..	..	..	..	..	..
On 31st December, 1877	381,784	18 4	376,442	12 0	5,342	5 10	..	..	..	..	..	..
On 31st December, 1878	375,493	8 11	477,672	8 11	104,179	0 0	..	..	..	..	..	..
On 31st December, 1879	440,223	10 0	412,183	3 8	28,040	12 2	..	..	..	..	..	..
On 31st December, 1880	501,281	9 4	461,264	14 0	39,916	15 0	..	..	..	..	..	..
On 31st December, 1881	548,847	12 10	498,479	9 0	50,368	11 1	..	..	..	..	..	..
On 31st December, 1882	600,056	3 7	530,787	6 3	20,268	17 4	..	..	..	..	..	..
On 31st December, 1883	647,806	18 1	576,589	16 8	27,703	18 7	..	..	..	..	..	..
On 31st December, 1884	680,079	0 10	604,180	2 0	16,120	1 0	..	..	..	..	..	..
On 31st December, 1885	650,154	8 8	666,110	11 6	15,952	2 10	..	..	..	..	..	..
On 31st December, 1886	314,631	5 10	389,030	10 8	64,399	4 10	..	..	..	..	..	..
On 31st December, 1887	387,122	10 1	761,605	8 0	37,882	13 0	..	..	..	..	..	..
On 31st December, 1888	420,307	8 5	642,151	7 4	16,733	10 1	..	..	..	..	..	..
On 31st December, 1889	988,762	11 0	901,612	4 8	3,850	13 8	..	..	..	..	..	..
On 31st December, 1890	929,605	15 8	894,804	8 1	34,701	7 7	..	..	..	..	..	..
On 31st December, 1891	944,617	7 5	914,617	12 5	31,250	15 0	..	..	..	..	..	..
On 31st December, 1892	782,234	10 7	916,612	18 1	138,378	2 6	..	..	..	..	..	..
On 31st December, 1893	704,641	6 3	832,874	0 6	128,232	14 3	..	..	..	..	..	..
On 31st December, 1894	698,705	9 8	789,805	10 0	91,010	0 4	..	..	..	..	..	..
On 31st December, 1895	701,970	18 8	748,949	3 8	13,024	15 0	..	..	..	..	..	..
On 31st December, 1896	797,070	4 1	760,243	16 7	47,322	7 6	..	..	..	..	..	..
On 31st December, 1897	845,019	10 1	785,028	10 11	59,993	10 2	..	..	..	..	..	..
On 31st December, 1898	908,223	8 8	850,168	0 0	78,055	7 11	..	..	..	..	..	..
On 31st December, 1899	845,070	8 7	871,453	10 4	78,610	18 3	..	..	..	..	..	..
On 31st December, 1900	1,004,980	7 11	923,731	1 0	131,240	6 11	..	..	..	..	..	..
On 31st December, 1901	826,163	4 6	870,442	4 1	44,278	10 7	..	..	..	..	..	..
On 31st December, 1902	726,682	3 4	850,684	11 6	110,921	16 3	..	..	..	..	..	..
On 31st December, 1903	657,607	13 6	870,350	4 0	21,688	10 6	..	..	..	..	..	..
On 30th June, 1904	426,130	4 11	421,037	4 11	5,102	0 0	..	..	..	..	..	..
On 30th June, 1905	482,680	15 11	840,184	11 6	12,408	4 8	..	..	..	..	..	..
On 30th June, 1906	902,657	4 10	851,147	0 1	47,610	4 8	..	..	..	..	..	..
On 30th June, 1907	970,843	6 0	913,762	1 6	57,081	4 0	..	..	..	..	..	..
On 30th June, 1908	1,005,273	14 2	920,958	4 2	76,288	10 0	..	..	..	..	..	..
On 30th June, 1909	934,432	1 3	980,247	2 5	25,815	1 2	..	..	..	..	..	..
On 30th June, 1910	1,008,032	4 1	997,321	0 3	11,011	3 10	..	..	..	..	..	..
On 30th June, 1911	970,092	4 2	1,016,058	10 8	46,864	6 7	..	..	..	..	..	..
On 30th June, 1912	1,084,663	0 0	1,094,725	0 0	10,062	0 0	..	..	..	..	..	..
On 30th June, 1913	1,206,202	0 0	1,050,883	0 0	110,409	0 0	..	..	..	..	..	..
On 30th June, 1914	1,238,088	0 0	1,235,013	0 0	3,073	0 0	..	..	..	..	..	..
On 30th June, 1915	1,244,006	0 0	1,384,150	0 0	140,054	0 0	..	..	..	..	..	..
On 30th June, 1916	1,376,443	0 0	1,340,711	0 0	35,782	0 0	..	..	..	..	..	..
On 30th June, 1917	1,360,368	0 0	1,412,803	0 0	43,225	0 0	..	..	..	..	..	..
On 30th June, 1918	1,503,047	0 0	1,450,748	0 0	43,299	0 0	..	..	..	..	..	..
On 30th June, 1919	1,581,583	0 0	1,644,612	0 0	63,029	0 0	..	..	..	..	..	..
On 30th June, 1920	1,831,501	0 0	1,828,201	0 0	3,300	0 0	..	..	..	..	..	..
On 30th June, 1921	2,105,449	0 0	2,180,160	0 0	83,707	0 0	..	..	..	..	..	..
On 30th June, 1922	2,181,385	0 0	2,302,077	0 0	120,682	0 0	..	..	..	..	..	..
On 30th June, 1923	2,174,061	0 0	2,472,622	0 0	298,461	0 0	..	..	..	..	..	..
On 30th June, 1924	2,447,070	0 0	2,438,381	0 0	210,705	0 0	..	..	..	..	..	..
On 30th June, 1925	2,762,012	0 0	2,675,618	0 0	86,394	0 0	..	..	..	..	..	..
On 30th June, 1926	2,735,462	0 0	2,898,261	0 0	262,799	0 0	..	..	..	..	..	..
On 30th June, 1927	2,850,019	15 10	2,855,076	12 9	5,057	0 0	..	..	..	..	..	..
On 30th June, 1928	2,862,087	9 5	2,867,065	6 10	5,008	2 7	..	..	..	..	..	..
On 30th June, 1929	2,760,434	2 11	2,855,076	12 9	94,642	9 10	..	..	..	..	..	..
Total Delinquency at 30th June, 1929	..	..	..	..	553,209	0 0	..	..	..	..	..	..
Delinquency—Bonds issued and transferred to Delinquency Account	..	..	..	..	349,401	0 0	..	..	..	..	..	..
Leaving Balance not covered by borrowed Money	..	..	..	..	203,808	0 0	..	..	..	..	..	..
*Including Commonwealth Special Grant.	..	..	..	..	..	..	..	..	..	..	..	..
*Surplus on Land Fund of	10,108	0 4
Deficiency on General Revenue	612	5 6
	9,495	14 11

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APPENDIX "C"

TASMANIA.

CONSOLIDATED REVENUE FUND.

	1923-24.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	1929-30 (Estimate).
REVENUE.							
Taxation.	£ 71,720	£ 88,404	£ 74,370	£ 161,200	£ 99,640	£ 74,812	£ 65,000
Probate and Succession Duties	180,773	182,006	177,858	220,190	216,207	208,623	216,000
Other Stamp Duties	120,837	124,114	126,252	114,322	97,494	99,383	96,500
Land Tax	431,271	481,104	471,251	600,550	674,902	654,505	653,800
Income Tax	122,300	129,653	140,235	144,552	146,225	146,149	145,000
Other..	..	..	..	..	..	..	..
Total Revenue	928,360	1,306,201	1,239,067	1,220,823	1,134,528	1,111,512	1,120,700
Public Works and Services.							
Railways	685,498	548,250	545,191	639,352	551,263	503,805	635,000
Hydro-Electric	203,916	228,603	230,742	233,312	285,388	325,209	237,000
Other..	178,554	137,064	156,805	167,172	139,498	125,725	108,518
Total Expenditure	967,887	909,853	932,738	970,437	976,149	954,737	970,518
Land.							
Commonwealth Subsidy..	83,200	70,437	77,073	76,670	60,672	60,241	66,050
Special Grants	271,655	270,237	269,477	268,850	267,367	266,251	(a)
Miscellaneous	85,000	85,000	85,000	378,000	378,000	220,000	260,000
Total Revenue	2,447,676	2,762,012	2,735,482	3,040,210	2,962,687	2,766,434	2,691,278
EXPENDITURE.							
Interest	656,276	971,539	981,733	1,011,617	1,043,045	980,791	865,934
Sinking Fund	85,116	117,393	128,961	161,382	81,990	77,127	84,745
Total Expenditure	1,044,291	1,689,432	1,110,694	1,162,800	1,125,005	1,060,918	940,379
Railways and Tramways.							
Education	558,390	535,835	512,351	555,941	680,080	575,057	550,483
Charitable and Medical	207,611	230,711	292,044	301,047	311,487	322,588	320,768
Police	105,291	176,276	178,438	181,797	193,642	200,748	202,764
Hydro-Electric	78,313	81,340	84,356	88,729	97,645	96,031	96,031
Other..	68,322	65,170	62,279	71,802	78,362	95,270	104,203
Total Expenditure	486,063	448,540	465,120	493,105	457,004	602,077	473,776
Total Expenditure	2,668,381	2,675,618	2,698,261	2,855,076	2,867,005	2,855,976	2,688,454
Surplus	..	86,394	28,221	185,143	..	90,882	..
Deficit	210,705	..	..	..	..	89,642	..

(a) Amount of £294,351 not included as Revenue this year, but deducted from Interest Liability in accordance with Financial Agreement.
(b) Includes interest on loans to soldiers shown for first time under Revenue.

APPENDIX "D"

TASMANIA.

ACCUMULATED LOAN EXPENDITURE TO 30TH JUNE, 1929.

APPENDIX "E."

	Public Debt at 30th June, 1929.	Amount per Head of Population.
	£	£ s. d.
New South Wales	269,975,883	109 12 9
Victoria	155,989,652	88 5 1
Queensland	113,355,041	122 5 5
South Australia	94,256,162	162 13 6
Western Australia	70,132,560	170 6 8
Tasmania	22,697,092	106 16 1
	726,406,490	114 4 0

APPENDIX "R."

TAXABLE CAPACITY AND SEVERITY OF TAXATION.

Memorandum by Charles Henry Wickens, I.S.O., F.I.A., F.S.S., Hon. M.S.S. (Paris),
Commonwealth Statistician and Actuary.

A measure of what has been termed "taxable capacity" has recently been introduced into the field of economics by Professor GIBLIN, and the more recent extension of this measure to ascertain the relative severity of taxation in the several States of Australia appears to demand a careful examination of the construction of these two interesting instruments and the validity of the results which they furnish.

In the first place exception may be taken to the use of the expression "taxable capacity" without a clear definition of what the phrase is intended to imply. In ordinary use capacity means holding power, though often employed in the sense of cubic content. When the expression, "taxable capacity" is heard, the idea conveyed is probably that of the ability to bear taxation. This, it is submitted, is not what the new instrument measures. It is actually a measure of the relative productiveness of revenue arising from the application of a given tax to a series of communities differently constituted in respect of the groupings of taxpayers of varying abilities to bear taxation. It is clear that the relative productiveness will depend, not only on the nature of the groupings, but also on the nature of the tax so applied. Thus, for example, a tax such as the Federal Income Tax, in which the rate imposed on any income is a prescribed mathematical function of the extent of the income, and in which there is a relatively high income exempt from taxation, may give a very different scale of productiveness from a system of taxation which applied a flat rate of tax to all incomes, from the lowest up, and that a further different result would, probably, be shown if the tax to be imposed were a poll tax. Dealing with Federal Income Tax, which has an exemption for all incomes below £300, it is clear that if a community, subject to this tax, say, for example, a mining community, consisted wholly of persons receiving in no case more than £300 per annum, the application of the formula would indicate that the taxable capacity of this community was zero. Its productiveness in respect of the Federal Income Tax is certainly zero, but in respect of a tax involving a flat rate on all incomes, the relative productiveness of this and another community differently constituted, but subject to the same tax, would be in proportion to total income. In the exposition of his method given in the *Economic Record*, No. 6, page 105 *et seq.*, Professor GIBLIN says that "The capacity to pay Federal Income Tax may be taken as a fair measure of general 'taxable capacity.' " It must be admitted that the phrase "taxable capacity" conveys to the reader something rather different from "revenue productiveness," which the process really measures, and that if the statement were made in the form "The relative revenue productiveness of the Federal Income Tax may be taken as a fair measure of relative revenue productiveness of all other taxes," the proposition would not meet with such ready acceptance as is likely to be accorded to it in the form in which it was presented. The following table furnishes a comparison of relative revenue productiveness of three of the principal Federal taxes when applied to the several States. The figures are based on the amounts of tax assessed in respect of each of the States for 1927-1928, thus involving, in the case of income tax, income for the year 1926-1927. A separate calculation has been made in the case of income tax of figures inclusive and those exclusive of absentees, the differences being immaterial.

COMMONWEALTH TAXATION ASSESSED IN EACH STATE, EXCLUSIVE OF TERRITORIES
AND CENTRAL OFFICE.

Index Numbers.

	Income Tax 1927-28 (a) Income Year 1926-27.		Estate Duty 1927-28. (a)	Land Tax 1927-28. (a)
	Total.	Excluding Absentees.		
New South Wales	122	123	108	132
Victoria	104	103	128	107
Queensland	63	63	46	26
South Australia	90	89	97	97
Western Australia	74	74	77	70
Tasmania	46	46	62	56
All States	100	100	100	100

(a) Based on the population as at 31st December, 1927.

This table indicates that, although the States which are under the average for income tax are also under the average for estate duty and land tax, the proportions are not even approximately the same. In particular, Tasmania, which is only 46 per cent. of the average for income tax, is 62 per cent. for estate duty, and 56 per cent. for land tax. This shows that, whereas relative productiveness of revenue under Federal Income Tax gives a general idea of the order of productiveness under other Federal taxes, it does not give a close measure, and, consequently, cannot legitimately be used for the close determination of severity of taxation. In these circumstances, it is suggested that the index numbers obtained as above for the three Federal taxes combined with an index of revenue productiveness in respect of customs and excise duty and weighted for each State with the revenue collections in respect of each tax and then averaged would give a fairer measure of what has been termed "taxable capacity" than is furnished by the use of the Federal Income Tax only. The inclusion of customs and excise revenue in the calculation certainly increases Tasmania's ratio considerably since these taxes approximate to a poll tax with a rate somewhat below the average for Tasmania, for which State 81 per cent. has been ascertained as the ratio during the last five years of the bookkeeping period. Taking the figure as 81 per cent., for the present time and using those quoted above in the manner indicated with the actual collections of customs and excise paid in Tasmania as weighting for these taxes, Tasmania's percentage for 1927-1928 works out at 72 per cent. of the average, instead of the 54 per cent., quoted by Professor GIBLIN. The weightings used for Tasmania in the manner above indicated are as follows:—

Source of Revenue.	Amount 1927-28.	Relative Productiveness of Tax.
	£	%
Customs and Excise	(a) 399,403.	61
Income Tax	(b) 99,277	46
Estate Duty	(b) 19,870	62
Land Tax	(b) 36,290	56
Total	554,840	72

(a) Amount collected in Tasmania.
(b) Amount assessed for collection in 1927-28.

This estimate of 72 per cent., it is submitted, is a closer approximation to Tasmania's actual taxable capacity in whatever sense this expression is used than is Professor GIBLIN's 54 per cent., for the same year, and the result obtained shows the undesirability of using income tax only for the purpose. A reference has already been made to the necessity for including local as well as central taxation in any estimate of relative State taxation per head. In these circumstances, and in view of the fact that the customs and excise revenue used above as weighting is only in respect of Tasmanian direct business, and contains no allowance for the relatively large amount of indirect taxation actually paid by Tasmania in the price of imported goods, which have been re-exported thither from other States. A closer analysis of the taxation figures would probably give for Tasmania a ratio approaching 80 per cent.

Memorandum submitted on behalf of the Commonwealth Treasury by the Assistant Secretary (Finance) of the Department, Mr. S. G. McFarlane.

Tasmania has always put forward the view that her taxable capacity per head of population is much below the Australian average and the subject has been dealt with at great length by Professor Giblin.

Professor Giblin has arrived at the conclusion that the taxable capacity per head of Tasmania is 46 per cent. of the average for Australia. He makes the further conclusion that the severity of taxation in Tasmania is 53 per cent. more than the Australian average.

He arrives at his measure of taxable capacity on the basis of federal income tax collected in the States on income earned wholly within the respective States.

His results for 1928-29 are as follow:—

	Tasmania.	Australian Average.
Federal Income Taxes (approx.)—Per head	10s. 9d.	19s. 11d.
Index of taxable capacity—Per head	54	100

He further states that the index figure for Tasmania over a period of 3 years is 46.

He then arrives at "Severity of Taxation" by dividing his index figures for taxable capacity into the actual taxes per head collected by the States, thus:—

	Tasmania.	Australian Average.
Taxes collected by the States 1928-29—Per head	59s. 7d.	84s. 8d.
Index of taxable capacity, 1925-28	46	100
Severity of taxation	153	100

The following observations are made on this method:—

(i) Professor Giblin puts forward the view that the taxable capacity of the States can be determined by the actual income taxes extracted under the Federal law on incomes derived wholly within each State (i.e., excluding taxes collected by the Central Office on incomes derived from more than one State).

(ii) There appears to be two objections to this method, viz.:—
(a) the limited field selected; and
(b) the rates of taxation selected.

(iii) In the case of Tasmania the Federal field selected by Professor Giblin covers a taxable income of less than £3,000,000. Yet Tasmania under her own laws actually levies income tax on a total field of £7,800,000. The large difference would be almost wholly due to Central Office assessments, and the smaller incomes that do not come into the Federal field.

(iv) In omitting Central Office assessments Professor Giblin assumes that they would be derived from the States in the same proportions as the local Federal assessments. If this assumption were correct the taxable income of companies derived from Tasmania would, under the Federal system, be about £1,000,000 (Income year 1926-27). Under the State system the taxable income of companies for approximately the same period appears to have been about £1,600,000, yet both systems tax substantially the same profits. Professor Giblin's assumption therefore appears to appreciably understate the Federal taxes derived from Tasmania.

(v) As to rates of taxation selected, the index figures of taxable capacity reflect the actual taxes collected at rates graduating from about 3d. to 5s. 5d. in the £ for the major portion of the field selected and a flat rate of 1s. in the £ for a small part of the field. It does not necessarily follow that these rates will give a true index of taxable capacity for all forms of taxation such as land tax, estate duties (which are really a charge on capital), motor taxation, racing taxation, stamp duties, licenses, &c.

(vi) Under the method of Professor Giblin the high rates on incomes over £5,000 are a big factor in producing a higher taxable capacity in States other than Tasmania. These incomes will show a marked decline in the current year due to the heavy fall in the national income.

It seems to be an extremely difficult, if not unachievable, task to arrive at index numbers which will truly measure the taxable capacity and severity of taxation of the several States, and it is suggested that there is room for considerable doubt as to the accuracy of the results obtained by Professor Giblin.

In determining his "Severity of Taxation" it is noted that the figures used by Professor Giblin do not include motor taxation. If motor taxation is included and the calculation based on the latest index of taxable capacity, namely, 1928-29 (instead of the average for 1925-28) the result would be as follows:—

	Tasmania.	Australian Average.
Total State taxes 1928-29—per head	63s. 11d.	101s. 3d.
Index of taxable capacity—per head	54	100
Severity of taxation	117	100

In other words, if we include motor taxation and make the calculation on the basis of one year only, namely, 1928-29, the latest year available, the severity of taxation is 17 per cent. greater as compared with 53 per cent. greater under the calculation of Professor Giblin.

This marked difference is largely due to the use of 54 as the index of taxable capacity for 1928-29, as compared with the index of 46 used by Professor Giblin, which was based on the years 1925-28.

There is another angle from which taxation can be compared and that is on the basis of rates. Professor Giblin states that severity of taxation cannot be measured by a comparison of rates, because of the different scales, exemptions, and methods of assessment in force in the various States. This rather suggests that if similar methods were in force, severity of taxation could be measured by a comparison of rates.

It is possible to compare many of the rates, and if the conclusions of Professor Giblin as to "Severity of Taxation" were correct one might expect to find indications that the rates in force in Tasmania were about 50 per cent. higher than the Australian average.

The following are comparisons taken from information furnished by the Commissioner of Taxation:—

INCOME TAX.

Income of Individuals—Personal Exemption.

The following shows approximate particulars of rates, statutory exemptions, and deductions for wife and children:—

	Rates on Taxable Income.		Statutory Exemption.	Deductions for—	
	Minimum.	Maximum.		Wife.	Each Child.
	s. d.	s. d.	£	£	£
New South Wales	0 7	5 0	250 disappears at 2,250	50	50
Victoria	0 5	0 9	200 " " 500	50 (a)	50 (a)
Queensland	0 6	3 7	250 " " 1,000	40	50 (a)
South Australia	0 6	3 11	100 " " "	30 (b)	30 (b)
Western Australia	0 11	2 8	200 (M) " " 300	40 (d)	62
Tasmania	0 3	1 7	100 (S) " " 150 200 (M) " " 300 (S) " " 400	..	39

(a) Deduction is only allowed on incomes of £500 and under.

(b) Deduction is only allowed on incomes of £500 and under.

(c) Deduction is only allowed on incomes of £500 and under.

(d) Deduction is allowed for amounts (up to £40 per annum for each dependent) actually expended during year by a taxpayer in or towards the support of dependants.

STATE INCOME TAX.

Individuals—Personal Exertion.

The following table shows the taxes payable on net incomes up to £1,000 :—

Net Income after making deductions, except statutory exemptions.	£200.	£300.	£500.	£750.	£1,000.
Tax payable—	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales ..	1 12 1	2 1 8	3 0 0	4 11 6	5 12 3
Victoria ..	1 12 1	2 1 8	3 0 0	4 11 6	5 12 3
Queensland ..	1 15 2	2 4 0	3 11 8	4 10 7	5 12 3
South Australia ..	2 17 3	3 5 0	4 11 8	5 12 3	6 10 7
Western Australia ..	2 10 3	3 13 4	4 11 8	5 12 3	6 10 7
Tasmania ..	6 3 1	10 3 1	16 3 1	28 2 6	39 10 7

Individuals—Property Income.

In Victoria the rates on "property income" are double those on "personal exertion". In Western Australia they are the same. In other States on incomes up to £1,000 the increases are roughly thus—New South Wales 30 per cent., Queensland 90 per cent. to 33½ per cent., South Australia 100 per cent. to 65 per cent., Tasmania 14 per cent. to 55 per cent.

COMPANIES TAX.

The following table shows an approximate comparison in respect of ordinary companies :—

	Approximate Rates.	Profits on which Maximum Rate is Payable.	Tax on Profit of £5,000.
New South Wales ..	2s. to 2s. 9d.	Over £4,500 ..	2
Victoria ..	1s. 7d.	Over 19 per cent. (higher rates up to 4s. 9d. for certain companies)	387
Queensland ..	1s. 6d. to 3s. 7d.	£5,000 and over ..	375-900
South Australia ..	1s. 2d. to 3s. 9d.		338
Western Australia ..	1s. 5d.		359
Tasmania ..	1s. 6d.		375

LAND TAX.

The following shows the tax payable on land of the unimproved value of £1,000 and £5,000 respectively :—

	On £1,000.	On £5,000.	
New South Wales ..	..	..	Land taxation has been given up to local governing bodies.
Victoria ..	£2 3s. 9d.	£10 18s. 9d.	
Queensland ..	£4 7s. 6d. up to £12	£23 to £134	
South Australia ..	£3 18s. 1d.	£19 10s. 7d.	
Western Australia ..	£4 to £8	£20 to £41	
Tasmania ..	£3 2s. 6d.	£28 12s. 11d.	

ESTATE DUTIES.

Estate Duties differ according to the relation of the beneficiaries to the testator. Where the estate goes to the widow and children the rates in force in Tasmania are below the average of the rates of the six States. The following table shows the duties payable in respect of estates passing to the widow and children for amounts of £1,000, £10,000 and £50,000 respectively :—

	On £1,000.	On £10,000.	On £50,000.
New South Wales ..	Nil.	£ 450	£ 5,000
Victoria ..	10	500	3,800
Queensland ..	20	633	5,166
South Australia ..	19	937	6,875
Western Australia ..	10	340	2,500
Tasmania ..	Nil	425	3,900

MOTOR TAXATION.

Motor taxation in Tasmania is the lowest of all States. A statement to this effect with a comparative table appears on page 43 of the Transport Committee's report.

GENERAL REMARKS.

These comparisons do not appear to support the conclusions arrived at by Professor Giblin as to "Severity of Taxation". The following table shows the order arrived at by him and the order as roughly indicated by the rates :—

Order of severity according to Professor Giblin.

Approximate order of severity according to above rates.

Queensland ..	164	South Australia ..
Tasmania ..	153*	Queensland ..
South Australia ..	150	New South Wales ..
Western Australia ..	109	Tasmania ..
New South Wales ..	96	Victoria ..
Victoria ..	69	Western Australia ..
	100	

In Tasmania the rates of tax on incomes of individuals up to about £600 are above the average of the six States. For other taxation the rates on the whole appear to be below the average of the six States.

In paragraph 10 Professor Giblin lays down four conditions which he says a State should comply with before requiring help from the Commonwealth. One of these conditions is that it "should be taxing its people with considerably greater severity than the Australian average". The comparison of rates rather suggests that in some respects Tasmania would need to increase its taxation to comply with this condition.

To sum up it is suggested that there is such room for doubt on this difficult subject that the conclusions of Professor Giblin as to "taxable capacity" and "severity of taxation" should not be accepted.

Memorandum submitted by Professor Lyndhurst Falkiner Giblin, Ritchie Professor of Economics, Melbourne University.

There is one outstanding instance of expenditure being forced on Tasmania beyond her capacity to pay, and that is war expenditure and the interest payable thereon. It is the inclusion of this item which makes it appear that more is paid to, and on account of, Tasmania by the Commonwealth Treasury than is collected as revenue from Tasmania. It must be recognised that Tasmania standing alone could not have made the same kind of war effort which she made

* Professor Giblin also says that "Tasmania gets less for their high taxation than their neighbours, the severity is somewhat greater than indicated in the above table."

as part of the Commonwealth. There might have been exactly the same contribution of men, and the losses in life and health precisely the same, but pay and other maintenance would have had to be on a less generous scale, and a much larger proportion of the expense borne by the Imperial Government. A comparison may be made with Newfoundland, which has to pay less than £1 per head per annum for interest on war debt, while the Dominion of Canada has about £3 per head per annum to pay.

This is only one example, but the outstanding one, of Federal expenditure being on a more lavish scale than an independent Tasmania could have afforded, and in every case Tasmania must pay her share. It is true that, on account of lower taxable capacity Tasmania pays considerably less per head in Federal income tax than any other State. But much the greater part—nearly four-fifths—of Commonwealth revenue is derived, not from direct taxation which adjusts itself to taxable capacity, but from Customs and Excise taxation, for which the Tasmanian payments per head are probably not very different from the Australian average. Tasmania, therefore, pays a large proportion of the full cost per head of net expenditure, while as an independent State she would probably not have been able to incur half the expense. To put it in figures, Tasmania's share of war expenditure on a population basis costs about £1,000,000 per annum, of which she actually pays about £800,000; but, as an independent State, her wealth and resources would have limited her to a contribution, no less in men, but in money costing now (say) £500,000 per annum. So that she is now paying some such sum as £300,000 per annum above the amount which she would have been justified in incurring as an independent State. The contribution suggested above, at half the Australian scale per head, would not have been unreasonable, seeing that the capacity of Tasmania for direct taxation was per head little more than half the Australian average, and is even less to-day.

I am, however, less concerned here with the accuracy of the suggested figures for war expenditure, than with the general principle. Such a loading of a State, by Federal action, with liabilities beyond its means must clearly be taken account of in considering the case for a special grant, and the crucial question is: What are its means? What is its prosperity; what are its wealth and income in comparison with the Australian average? If they are substantially less, it does not greatly matter to determine exactly how much the difference is due to Federation and to Federal action, and how much to other more general causes. It is impossible, as we have seen, to separate out the causes, and it is unnecessary. If the fact of a steady lower level of material prosperity is established, the fact must be faced, and allowance made for it in the financial relations of the Commonwealth and that State.

We ought, then, to estimate as nearly as possible the difference in material prosperity between Tasmania and the average of the Commonwealth, and, if it is substantial, proceed to consider to what extent the handicap can be met by a grant from Treasury to Treasury, and what the amount of that grant should be.

The best test of material prosperity is income in relation to the purchasing power of the money unit. There has been no very great difference in purchasing power in different States, and, as it happens, purchasing power in Tasmania, or, conversely, the level of prices, has been for many years very close to the Australian average, so that we can simply compare income (or taxation or expenditure), in Tasmania with the Australian average, without making any allowance for difference in purchasing power.

The income about which there is most accurate information, and which is the most important for our purpose, is the income assessed to income tax. For State income tax there are no comparable figures of income available, and the assessments and rates of tax, too, are so different in different States that the amount of tax assessed or collected is no guide. But the Federal income tax is a uniform tax, administered uniformly in all States, and the results give us most valuable information. It is true that the actual figures for income in States have not been published regularly in a form suitable for comparison in different years. But the figures for tax assessed in any year are available since the beginning of the tax in 1915, and these, divided by the populations, give us the amount of the uniform tax paid per head of population in each State. So we get an exact measure of the relative capacity of the States to pay Federal income tax, or any graduated income tax of the same type, such as are the State income taxes of Australia.*

* The Victorian tax is a partial exception, but the difference is not great, and is being reduced at every revision.

The last available figures are for the assessments made in the year 1928-29 of the incomes of the year 1927-28. Below is set out the amount of Federal tax assessed per head of population in each State for that year, and in the last column numbers proportional to these amounts when the average of the whole Commonwealth is taken as 100.

FEDERAL INCOME TAX ASSESSMENTS PER HEAD ON INCOME OF THE YEAR 1927-28.
(Excluding Central Office Assessments.)

	Tax Per Head.	Index.
	£. d.	
New South Wales	22 10	115
Victoria	22 0	110
Queensland	14 0	70
South Australia	16 10	84
Western Australia	16 3	81
Tasmania	10 9	54
Six States	19 11	100

The outstanding feature is that for Tasmania the uniform tax uniformly administered produces less than half as much revenue in proportion to population as in Victoria or New South Wales, and only just over half as much as the average for the whole Commonwealth. In other words, if the States had all to raise a certain revenue from taxation, say £4 per head of population, Tasmania would have to impose rates twice as high as the average of the six States—i.e. in the £ instead of 6d., 2s. instead of 1s., and so on. Three other States have some of the same handicaps compared with Victoria and New South Wales, but in a much smaller degree.

A fuller discussion of these figures, and full results up to date, will be found in "The Taxable Capacity of Australian States, Hobart, 1925," and in "The Economic Record" (November, 1929, pp. 339 to 345). One point only need be mentioned here. The figures for any one year are liable to fluctuation on account of bad seasons affecting one State more than another; and also because assessments of income are not always completed in the financial year, and the balance is then included in the next year's total, diminishing the one below the correct figure and swelling the other by the same amount. For this reason it is advisable to take the average of three or four years as a basis for practical conclusions. As the actual amounts of tax per head vary greatly in different years from alterations of rates, exemptions, and methods of assessment, they must be reduced to some common measure before averaging, and this is done by reckoning the average for Australia in every year as 100, and calculating the proportionate number for each State. These numbers, given in the last column of the above table, may be called the Index of Relative Taxable Capacity. The number 54 against Tasmania means, therefore, that the tax produces in Tasmania only 54 per cent. of the average, or 46 per cent. below the average, while in Victoria it produces 110, or 10 per cent. above the average.

These indexes can then be added, and averaged for different years. I will give here the average for the last four years and for the fourteen years since the tax began, and repeat for comparison the index for the last year available:—

RELATIVE TAXABLE CAPACITY.

	Income Year 1927-28.	Last Four Years.	Last 14 Years.
New South Wales	115	114	106
Victoria	110	110	108
Queensland	70	76	88
South Australia	84	85	92
Western Australia	81	74	93
Tasmania	54	47	56
Six States	100	100	100

It will be seen that, taken over the whole period, none of the States departs seriously from the general level except Tasmania, which has averaged little over half the taxable capacity of the Commonwealth. The other States have had ups and downs relative to the prosperity of Australia as a whole, and the figures for the last four years show that Western Australia, South Australia, and Queensland have all had a relative setback in prosperity. But only in the case of Tasmania is there evidence of a steady and persistent deficiency of income.

A persistent deficiency in taxable income is in itself the most valid and convincing evidence of the need for Federal assistance, and between States is a fair measure of the relative need for it. This is not an academic theory; it is an old-established principle which has been the basis of many practical measures. Taxable capacity was the chief determinant in the financial settlement between Great Britain and Northern Ireland. It plays a great part in the British basis of local government grants as settled by the *Local Government Act 1929*. British Local Government, with its responsibility for education, roads, poor relief, and police, has functions not very different from those of Australian State Governments. The new system of Government grants is not in proportion to population, but takes account of rateable capacity and other factors. These other factors—unemployment and proportion of young children—would be fairly uniform in Australian States, and the chief determinant in the British system applied to Australia would be rateable capacity—which is, in effect, taxable capacity. The effect in England is to give a county in financial difficulties, like Durham, more than four times the grant it would receive on a population basis, though there is no suggestion that the financial difficulties of Durham are in any respect due to the policy of the Central Government.*

Taxable capacity, then, gives a reasonable measure of comparative assistance required, but not of the absolute amount. A shortage of taxable income can be only approximately turned into a measure of shortage of total national income, and of the economic state of the community. In the "Economic Record" for November, 1929, page 344, I have attempted a rough measure of income based on taxable capacity and the official average wage-index in the different States. The result gives Tasmania an income per head 15 per cent. below the average, whereas the greatest deficiency for any other State is 6 per cent. for Western Australia. The deficiency for Tasmania amounts to £3 m. in a total national income of £17 m. This additional income spent by the present population would support directly and indirectly some 30,000 additional population in Tasmania, taking now the average income as equal to the Australian average of about £100. The new population would have an income of £3 m., so that there would be a total of £6 m. new income in Tasmania to be added to the present £17 m. if Tasmania could be brought to the average Australian prosperity. Such an increase of income—over one-third—would obviously have very far-reaching effects on the State's finances, and the lack of it fully accounts for the State's difficulty in paying its way.

I conclude, therefore, that there is unassailable evidence that the State, from a combination of all causes, has a deficiency of prosperity, as measured by income, manifest steadily over a long period of years under Federal conditions; and that this permanent deficiency of income is so great that it is impossible for the State to keep up to the Australian standard of material civilization without substantial help.

There is, of course, no question of bringing Tasmania up to the Australian level of prosperity by direct help from the Commonwealth. Even if the deficiency was entirely due to Federation and Federal policy, it could not be directly remedied without destroying Federation or reversing Federal policy, which must be presumed to have been deliberately adopted by Parliament in the interests of Australia as a whole. Tasmania, in any case, must continue to put up with a lower income and a lower standard of consumption, and therefore of comfort. Wages cannot depart much from the Australian standard, and most salaries cannot lag much behind. Therefore it is the returns from land production and the profits from industry and commerce of all kinds that will show worst in comparison with other States, and it is the earners of these incomes who will have most markedly a lower standard of comfort. The wage-earner will feel the position, however, indirectly in greater uncertainty of employment, and therefore a lower effective wage.

There is, then, no question of remedying the disabilities of the State. For the most part they must continue to be borne. It is a question only of supplying the urgent necessities of the State Treasury, and the amount may be ascertained with due precautions from an examination of the Treasury position. Any State requiring help from the Commonwealth should show its good faith by satisfying the following conditions:—

- (1) It should be taxing its people with considerably greater severity than the Australian average.
- (2) It should not be attempting social provision on a more generous scale than the average.
- (3) Its costs of administration should be below the average.
- (4) It should for some years at least have shown moderation and caution in loan expenditure.

* See the *British Local Government Act 1929*, and Command Paper 3184. A good summary is given by Plummer, in *Quarterly Journal of Economics*, August, 1930, pp. 707-712.

If these conditions are satisfied, I submit that the responsibility is on the Commonwealth to make up what is required to enable revenue to balance expenditure. It is not a question of making a contribution towards it. If the above conditions are fairly satisfied, the obligation is on the Commonwealth to make up the deficiency in full as a vital condition for the effective working of Federation.

A statement has been prepared by a committee under the chairmanship of the Premier, setting out in full the needs of the Treasury, and giving the information which will enable the tests set out above to be applied to Tasmania.

SEVERITY OF TAXATION.

Severity of State taxation cannot be measured by the rates imposed, because there are several kinds of tax, of which income tax, estate duty, and land tax are the chief, and we need a measure of the combined effect. Further, each of these taxes is graded on different scales in each State, with different methods of assessment and different exemptions and abatements, so that comparison of rates is little help. We must, therefore, take the total proceeds of all State taxes per head of population, and consider them in comparison with the taxable capacity of each State, which the uniform Federal income tax allows us to measure accurately. The same effective rate of tax will clearly produce twice as much revenue per head where the taxable capacity is twice as great. If, then, we take the total tax revenue per head in a State and divide it by the taxable capacity, we get a proper measure of *severity of taxation*. It will be convenient to make this equal to 100 for all States combined, and compute the measure for each State in proportion. This has been done in the following table, taken from *The Economic Record* (November, 1929, p. 345):—

SEVERITY OF STATE TAXATION. (Omitting Lottery and Motor Taxation).

	Taxation Per Head, 1928-29.	Taxable Capacity, 1928-29.	Severity of Taxation, 1928-29.
	s. d.		
New South Wales	93 2	115	96
Victoria	65 0	112	69
Queensland	100 0	72	164
South Australia	105 5	84	150
Western Australia	65 2	71	109
Tasmania	59 7	45	153
Six States	84 8	100	100

The taxation here given is not the whole of State taxation. Lottery taxation is omitted because the tax is drawn in almost equal degree from the inhabitants of other States. The inclusion of lottery taxation would increase the Tasmanian figures very greatly and the Queensland figures appreciably. Further, motor taxation is omitted because, though all States have it, in some it is not paid into the Consolidated Revenue, the figures are not readily available, and an uncertain amount is in payment for services and not strictly taxation. The figures ordinarily given for State taxation are misleading on this account. The taxable capacity is taken for the last three years available, as figures for a single year are sometimes abnormal.

It will be observed from the above table that the severity of Tasmanian State taxation in 1928-29 was 153, or 53 per cent. above the Australian average. Queensland and South Australia have a similar high severity.

Not only in 1928-29, but consistently for many years, Tasmanian taxation has been much above the average in severity. I give the figures for the last five years, taking in each case the nearest three years average of taxable capacity as a basis of calculation.

SEVERITY OF STATE TAXATION.

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	Average.
New South Wales	91	88	99	89	96	93
Victoria	71	74	69	75	69	72
Queensland	180	161	167	178	164	170
South Australia	113	135	123	153	150	135
Western Australia	105	140	104	108	109	117
Tasmania	230	232	174	149	153	188
Six States	100	100	100	100	100	100

It will be seen that throughout the last five years Tasmania has very amply satisfied the condition of taxing herself with considerably greater severity than the average for Australia. The average Tasmanian severity for the last five years has been nearly double the Australian average, and more than double that of Victoria and New South Wales. For 1928-29 it was more than 50 per cent. greater than the average.

It will be noticed that the severity was still higher in 1924-25. It was then that the financial position was becoming acute, and the State imposed very heavy income and other taxation. On small and moderate incomes the tax was considerably heavier than in any other State, and the consequent severity was more than twice the Australian average. It appeared in the event that taxation had overstepped the economic limit; the depression grew worse, and the exodus of population to the mainland reached unprecedented figures. It was accordingly proposed by the State, and approved by the Commonwealth, that some part of the increased Federal grant in 1926-27 should go to relieve to some extent this excessive taxation. This was done, but the severity of taxation is still 50 per cent. above the average.

In the memorandum submitted to the Committee I have laid great stress on the relative taxable capacity of Australian States, both as a general measure of net economic disability and as a test of comparative severity of taxation. It is very important to get a true conviction that the measure proposed is satisfactory, because, when it is once established that the State has had continuously a substantially lower taxable capacity, and therefore, a lower level of income than any other State, it is perfectly clear that it cannot maintain the same efficiency of government and the same general standard of civilization without special help, which must be, like the deficiency in income, both substantial and continuous.

In dealing with the matter, however, I referred only very briefly to the actual measurement of taxable capacity, and I wish to supplement my memorandum by giving some further details and answering some possible objections.

The basis is the amount of Federal income tax assessed by each State office. This assessment includes all taxpayers, residents and absentees and companies, and some other minor classes. No account is taken of the assessments of the Central Office, which refer to incomes obtained from more than one State. The result is the same as assuming that Central Office assessments are in proportion to State Office assessments. This is the assumption made by the Commissioner of Taxation when he is required to estimate the total tax derived from each State, and it is his opinion that the richer States have, if anything, more than the proportionate share, so that the resulting figures, as published and used in my memorandum, will tend to understate the differences between States, rather than to exaggerate them.

It may be asked why income tax is taken as a measure of general taxable capacity for all direct taxes, and why land taxation and estates duty are not also taken into account.

The answer to this in the first place is that all direct taxes are in fact paid out of income, though not assessed on income, and that a measure of ability to pay income tax is a measure of ability to pay all direct taxes, on whatever basis they are assessed. If two States were precisely the same in population and income, but one had no freehold tenure, this one would have no capacity at all to pay land tax, and a very small capacity to pay estate duty. But, its real capacity to pay direct taxation of any kind would be just as great as the State with freehold tenure. Only the taxation revenue would have to be raised by other means than land tax and estate duty would need to be at a nominally much higher rate than was necessary in the other State.

This consideration, I believe, completely removes any difficulty in accepting income tax as a basis of taxable capacity for all the uses made of taxable capacity in connexion with Tasmanian disabilities. It happens, moreover, in the case of Tasmania that an examination of Federal land tax and estates duty gives almost exactly the same result as income tax.

This will not hold in the case of Queensland, because of the limitations of freehold there. I have tested this previously by sample years, and I have now taken out the figures for the last years available. The results for land tax vary little from year to year. Moreover, for land tax, unlike the other taxes, the Central Office assessments can be distributed amongst the States, and the Commission publishes the figures showing the final distribution.

The latest figures published are in the Commission's last report (No. 12, p. 26) for land held in June, 1925, and these give land tax-paying capacities as follow:—

LAND TAX-PAYING CAPACITY, 1925.

State.	Index.
New South Wales	129
Victoria	104
Queensland	44
South Australia	116
Western Australia	67
Tasmania	58
Six States	100

As I have pointed out above, the special figures for land tax have no significance, because all direct taxes are paid out of income. The use of the above figures is only to measure the relative revenue per head which could be raised by a given schedule of land tax rates. Even this is not very well measured for land taxation generally by the above figures, because of the very high exemption in the Federal land tax.

Estates Duty, unlike land tax, varies very much from year to year, particularly of course, in the smaller States. I have taken, therefore, the average of the figures for the two last years available, 1927-28 and 1928-29 (Report No. 12, page 45). For these two years, the Tasmanian assessments per head were rather above the average of previous years, though not so high as in the exceptional year 1926-27. Here, as with income tax, the Central Office assessments are assumed to be in proportion to State office assessments.

RELATIVE CAPACITY TO PAY ESTATE DUTY. 1927-28 and 1928-29.

New South Wales	122
Victoria	118
Queensland	48
South Australia	67
Western Australia	80
Tasmania	58
Six States	100

The Queensland figures are controlled by the system of land tenure, and for South Australia and Western Australia the average for two years only does not get rid of chance variations. For Tasmania the years have been noted as giving somewhat over the average expenditure, so that it may be safely inferred that the Tasmanian figure is not more than 58 per cent. of the average. If this figure is compared with the 58 per cent. for land tax in the previous table and the 54 per cent. for income tax in 1927-28, and 56 per cent. over the last fourteen years, it will be seen that the agreement is very close.

I repeat that this agreement has no significance in respect to the uses of taxable capacity made in my memorandum. Such agreement means only that the income tax measure of taxable capacity can be used also for other purposes with which we are not here concerned. Whether land tax and estate duty give the same result or not, the inferences made from the income tax figures as to relative state prosperity and as to severity of taxation are unaffected.

I have given some discussion of the accuracy and significance of this measure of taxable capacity; but there are technical statistical points involved which require expert criticism. I think it may fairly be said that with every opportunity no adverse criticism of these figures has been made. They were published first in 1925, and have been repeated and amplified on several occasions and in particular three times in *The Economic Record* where they would naturally invite destructive criticism. No such criticism has been forthcoming. A good deal of use was made of them by witnesses before the Royal Commission on the Constitution. Their general acceptability by those qualified to examine them in detail may be conveniently indicated by an extract from the address of Mr. H. S. Nicholas, the Counsel to the Commission, in reviewing the evidence at the end of the Commission's inquiry (p. 1671):—

Here, however, you have a test which can be followed with reasonable accuracy and justice, that is, the test of taxable capacity prepared by Major Giblin and approved by Professors Bridgen, Copland and Mills and Mr. Wickins. You can tell from that how far a State is in a position to help itself, and since the cost of such services as education is uniform, or at least ascertainable, you may form an idea of its ability to carry out its functions.

A measure of taxable capacity (more exactly, of income-tax-paying capacity) has been used in "The Case for Tasmania, 1930" for two purposes—

- (a) To show the comparative deficiency of taxable income in Tasmania.
- (b) To measure the comparative severity of taxation in Tasmania.

The criticism of Mr. Wickens touches only the second of these two uses. Here he would prefer to use a measure of taxable capacity based on all taxation, including Customs and Excise. This would be quite proper in considering the position of Tasmania as an independent State outside the Commonwealth; and such a measure was used (in the Report on Tasmanian disabilities, 1925, p. 35) to estimate what share of the cost of the war to Australia ought to be paid by Tasmania in that position. But here we are considering what taxation is possible for Tasmania as a State of the Commonwealth. In that condition Customs and Excise taxation is prohibited and the possibilities are limited to direct taxation. For this purpose then, capacity to pay direct taxation is the only taxable capacity that need be considered, and any satisfactory measure of this is a proper basis for comparing severity of State taxation in different States. For this purpose there is no objection to the term proposed by Mr. Wickens, "relative revenue productiveness" as an alternative to "relative taxable capacity".

It is true that this measure of taxable capacity and of severity of taxation is accurate only when the type of taxation is similar to that of the Federal Income Tax. But, as I have noted before ("The Case for Tasmania, 1930," p. 67), the income taxes of all the States are in fact of this type. There are differences in detail which are being continually varied, but the type must be taken to represent the well considered judgment of Australia as to the most economic form of direct taxation. This judgment is supported equally by economic reasoning and by the practice of nearly all civilized peoples.

We must take then this type of graduated taxation—based on capacity to pay—as the only type practically available to Tasmania, when there is question of increased taxation, and the actual severity of State taxation is properly measured by using the index of capacity to pay such taxation. It is certainly possible to go right outside our present taxation principles, and impose, as Mr. Wickens suggests, something in the nature of a poll tax. Most of our Customs and Excise taxation is on luxuries or semi-luxuries, but some of it is of the nature of a poll tax—falling equally on all consumers. But it is generally passed on to the employer by our system of varying wages with the cost of living. Even if some vestige of poll tax remains in our Customs taxation as a burden on the wage earner, it is common to all Australia. To propose something in the nature of a poll tax as a special form of taxation for Tasmania would be a very serious step for the Commonwealth to take. You would have the Commonwealth with one hand prescribing a minimum wage for Tasmania through the Arbitration Court, and with the other inviting the State to go behind that wage determination and reduce wages indirectly by a tax which could not be passed on to the employer. It would be particularly repugnant in the case of Tasmania, where the unmarried basic wage-earner has always been subject to Income Tax on account of the low exemption.

Mr. Wickens further makes the point that taxable capacity for Land Tax and Estate Duty are not the same as for Income Tax. I have discussed that point fully in my supplementary evidence given at Hobart, and think that my conclusion stands that Income Tax offers a very fair approximation for all direct taxes. The figures given by Mr. Wickens are open to some criticism, but when the preponderating weight of Income Tax is taken into account, even these do not lead to any very different figure for capacity to pay all direct taxes. For Tasmania, the figures of Mr. Wickens properly weighted give a taxable capacity of 60 per cent. of the average of all States, whereas his figure based on Income Tax alone was 46 per cent. The difference, therefore, is in any case not very material.

APPENDIX G.

NAMES OF WITNESSES WHO APPEARED BEFORE THE COMMITTEE.

- Balsille, George Davy, Director of Public Works, Hobart.
 Batt, Frederick John, Deputy Auditor-General of Tasmania, Hobart.
 Bell, George John, O.M.G., D.S.O., V.D., Member of the House of Representatives for Darwin, Burnie.
 Black, Clyde Burton, Member of the Hobart Chamber of Commerce and Tasmanian Shipping Committee, Hobart.
 Blyth, Robert Trevor, Beaconsfield, Tasmania.
 Brigden, Professor James Bristock, M.A., Economist to the Overseas Shipping Representatives' Association, Sydney.
 Burnaby, Thomas, orchardist, Port Cygnet, Tasmania.
 Carins, George, produce merchant, Warden of the Municipality of Longford, Tasmania.
 Clark, Leo John, farmer, Burnie, Tasmania.
 Clements, Edwin Thomas, produce merchant, Devonport, Tasmania.
 Cummins, Walter Herbert, General Manager of the Hobart Mercury, and past president of the Hobart Chamber of Commerce, Hobart.
 Curtis, Harry Arthur, Commissioner, Hydro-Electric Department, Tasmania.
 Davies, Arthur, Warden of the Municipality of Port Cygnet, Tasmania.
 Downie, Henry Edmunds, Commissioner of Taxation, Tasmania.
 Emmett, Evelyn Temple, Director of the Tasmanian Government Tourist Bureau, Hobart.
 Ferguson, David Buchanan, General Manager, H. V. McKay Pty. Ltd., Sunshine, Victoria.
 Field, Richard Charles, pastoralist, Longford, Tasmania.
 Fielding, Ira Harold, Accountant, Returned Soldier Settlement Department, Hobart.
 Fowell, Henry Edward, Managing Director of the Tasmanian Produce and Wool Storage Co-operative Company, Launceston.
 Giblin, Professor Lyndhurst Falkner, M.A., Ritchie Professor of Economics, University of Melbourne, Melbourne.
 Harvey, Robert, orchardist and evaporator, Port Cygnet, Tasmania.
 Hays, Senator the Honorable Herbert, Devonport, Tasmania.
 Hill, Thomas, Director-General of Works, Commonwealth Works Department, Canberra.
 Hudson, Eric Raymond, Superintendent of the Extension Service of the Department of Agriculture, Tasmania.
 Hurst, William Nevill, Secretary for Lands and President of the Closer Settlement Board, Hobart.
 Hytten, Professor Torcliv, M.A., Professor of Economics, The University of Tasmania, Hobart.
 Jackson, David Sydney, Lock Manufacturer, Launceston.
 Jeffrey, William James, President of the North-western Tourist and Progress Association, Devonport, Tasmania.
 Jessup, Harold James, dairy farmer, Scottsdale, Tasmania.
 Kean, Peter Ernest, farmer, Chairman of the State Committee for the Council for Scientific and Industrial Research and Chairman of the Longford branch of the Agricultural Bureau, Longford, Tasmania.
 Leeson, Edward, Honorary Secretary, North-west and West Tourist League, Burnie, Tasmania.
 Lillico, Alexander, M.L.C., agriculturist, Devonport, Tasmania.
 Ling, Thomas, farmer, Longford, Tasmania.
 McFarlane, Stuart Gordon, Assistant Secretary (Finance), Commonwealth Treasury, Canberra.
 McFie, Henry Hector, M.H.A., orchardist, Devonport, Tasmania.
 McGaw, Andrew Kidd, General Manager, Van Diemen's Land Company, and Master Warden of the Marine Board of Burnie, Tasmania.
 McMillan, John Rusten Alfred, B.Sc. Agr. (Sydney), M.Sc. (Cornell, U.S.A.) Plant Breeder, Council for Scientific and Industrial Research, Canberra.
 McPhee, Edward Tannoch, Government Statistician, Hobart.
 McPhee, the Honorable John Cameron, M.H.A., Premier and Treasurer of Tasmania, Hobart.
 McTaggart, Alexander, B.Sc. Agr., M.Sc. Agr., Ph.D., Agricultural Scientist, Senior Plant Introduction Officer in the Division of Plant Industry, Council for Scientific and Industrial Research, Canberra.
 Murphy, William Timothy, late Assistant Government Statistician, and Secretary to the Committee appointed to prepare the Case for Tasmania, 1930, Hobart.
 Murray, Russell Mervyn, General Manager, Mt. Lyell Mining and Railway Company Limited, Queenstown, Tasmania.
 Nettlefold, Alfred John, manufacturer, Sydney.
 Nicholas, Harold Sprent, Barrister, Sydney.
 Nichols, Hubert Allan, M.L.C., agriculturist, Ulverstone, Tasmania.
 Ockerby, John Featherstone, M.H.A., of the firm of Cocker and Ockerby, Customs Agents, Launceston, Tasmania.
 Ogden, Senator the Honorable James Ernest, Tasmania.
 Ogilvie, the Honorable Albert George, K.C., M.H.A., Leader of the State Parliamentary Labor Party, Hobart.
 Payne, Senator the Honorable Herbert James Mockford, Tasmania.

Peacock, Frederick Hood, Managing Director, H. Jones and Company Limited, and Sales Agent for the Australian Commonwealth Carbide Company Limited, Hobart.

Pearcell, Benjamin James, Chairman, State Fruit Advisory Board, Hobart.

Piggott, John Peters, M.H.A., Member of the State Fruit Advisory Board, Hobart.

Reid, Alexander McIntosh, Director of Mines, Tasmania.

Robb, Robert Lindsay, Chief Grassland Adviser, Imperial Chemical Industries Limited, Millbank, London.

Roberts, William Richard Arthur, orchardist and evaporator, Kettering, Tasmania.

Ross, Everard, Director, H. Jones and Company Limited, Hobart.

Russell, John Gordon, orchardist, Huonville, Tasmania.

Ryan, Daniel Edward, orchardist, Warden of the Municipality of Huonville, Tasmania.

Sadler, Bertie Tulloch, farmer, Devonport, Tasmania.

Salier, Harold George, farmer and grazier, Warden of the Municipality of Scottsdale, Tasmania.

Shoobridge, Henry Wanostrocht, Chairman of the Tasmanian Hop-growers Limited, New Norfolk, Tasmania.

Shoobridge, William Ebenezer, M.H.A., Hobart.

Skinner, Victor Joseph, orchardist, Huonville, Tasmania.

Stearns, Samuel William, Conservator of Forests, State Forestry Department, Hobart.

Steele, Frederick William, Chief Audit Inspector, State Audit Department, Hobart.

St. Hill, Felix Percival, Commissioner of Railways, Hobart.

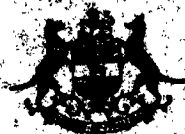
Strutt, Percival John, Under-Treasurer, State Treasury Department, Hobart.

Ward, Frank Ernest, Director of Agriculture, Hobart.

Warner, Hugh Ashton, President of the Tasmanian Agricultural Bureau, Hobart.

Wright, John Forsyth, farmer; Warden of the Leven Municipality, Ulverstone, Tasmania.

Wickens, Charles Henry, F.S.O., F.I.A., F.S.S., Hon. M.S.S. (Paris), Commonwealth Statistician and Actuary, Canberra.



The Case for Tasmania, 1930

STATEMENT OF A CLAIM FOR AN INCREASED
SPECIAL GRANT FROM THE
COMMONWEALTH

*Prepared by a Committee appointed by the Government
of Tasmania to be placed before Commonwealth
Parliamentary Joint Committee of Public
Accounts.*



TASMANIA:
JOHN VAIL, GOVERNMENT PRINTER

1930



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TASMANIA :
JOHN VAIL, GOVERNMENT PRINTER

COMMITTEE

The personnel of the reporting Committee was as follows:—

- The Hon. J. C. MCPHEE, M.H.A., Premier and Treasurer of Tasmania, Chairman.
- The Hon. CLAUDE JAMES, F.F.I.A., F.A.I.S., M.H.A., Chief Secretary of Tasmania.
- J. SOUNDY, M.H.A., Mayor of Hobart.
- H. H. CUMMINS, Chartered Accountant (Aust.), President of Hobart Chamber of Commerce.
- W. H. CUMMINS, General Manager "Mercury" and "Illustrated Tasmanian Mail," Past President of Hobart Chamber of Commerce.
- P. J. STRUTT, I.S.O., Under-Treasurer.
- F. J. BATT, A.F.I.A., Deputy Auditor-General.
- E. T. MCPHEE, Government Statistician.
- L. F. GIBLIN, M.A., D.S.O., Ritchie Professor of Economics, University of Melbourne.
- T. HYTEN, M.A., Professor of Economics, University of Tasmania.
- W. T. MURPHY (late Assistant Government Statistician), Secretary.



Premier's Office,
Hobart,

25th February, 1930.

TO THE CHAIRMAN AND MEMBERS OF THE
JOINT PUBLIC ACCOUNTS COMMITTEE OF
THE COMMONWEALTH PARLIAMENT:

GENTLEMEN,

I have the honour to present for your consideration a claim for an increased special grant to the State of Tasmania from the Commonwealth. This statement has been carefully prepared by a representative Committee, of which I was Chairman, and will, I feel sure, carry the conviction that the State has a just claim upon the Commonwealth for further financial assistance.

In preparing the statement, the Committee has taken as its foundation the "Case for Tasmania" prepared for Sir Nicholas Lockyer, C.B.E., I.S.O., in 1926, by a Committee appointed by the then Premier (the Hon. J. A. Lyons). We have found no reason to depart from the general principles laid down in that document, which must still be considered sound, but we have brought up to date the information then presented; have amplified some of the statements in that case, which met with criticism from the Commonwealth authorities then; and have added other matter in support of our claim. Hitherto no opportunity has been given us to meet criticism of previous statements.

My Committee has made its statement as brief as possible but I submit that it is a highly informative statement. It is supported by a number of statistical and other appendices, and by separate statements prepared by Professor L. F. Giblin,

M.A., D.S.O., and Mr. E. T. McPhee, Government Statistician. We are, however, anxious to lay before you all the information available and to substantiate any part of our claim which may appear doubtful to you, and I therefore invite you to call for any evidence you may deem necessary to arrive at a fair and just conclusion. You will be given every assistance in this respect by the Committee which prepared the case; its members are ready to help you with all the information at their disposal.

I would point out that the claim for a special grant of £543,000 from the Commonwealth embodied in the statement I am submitting is an absolute minimum, without which the State must gradually sink into greater financial difficulties. We are carrying on only by charging to loans a great deal of expenditure which should come out of revenue unless the solvency of the State is to be impaired. It must be clear to you that we have not been extravagant; the cost of government is considerably lower than that of the other States, and even with the burden of the extra charges mentioned, the loan expenditure has been remarkably small during the last five years. The Government of the State cannot raise the revenue to meet its liabilities as they arise, and it is improbable that there will be any great improvement in this respect in the near future.

My Government, and the people of Tasmania generally, welcome this opportunity to put the case of the State for financial assistance before such a representative body as your Committee. We are sure that it will be given that just and adequate consideration which we feel our claims have not received in the past.

Yours faithfully,

J. C. MCPHEE, Premier.

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The Case for Tasmania, 1930.

TO THE HON. J. C. MCPHEE, M.H.A.,
PREMIER OF TASMANIA:

SECTION I.—INTRODUCTION.

1. The Government of Tasmania has instructed us to prepare a statement to be laid before you showing the position of the finances of Tasmania, and the reasons why the Parliament of the Commonwealth should grant further financial assistance in addition to the present special annual grant of £250,000. In preparing this statement we have had due regard to the fact that a great deal of information has been embodied in "cases" previously presented, and have endeavoured to make this statement as brief and concise as possible.

2. The case for assistance from the Commonwealth rests on two grounds. Firstly, the simple fact that the State is unable to meet its annual liabilities through no fault of its own, and despite the fact that taxation is still too high to prevent the loss of part of our natural increase in population. Secondly, that this position, to a large extent, has been brought about by disabilities imposed on the State by Commonwealth legislation. These facts have been admitted by Commonwealth officers who have made investigations in Tasmania, and have been accepted by previous Governments in granting assistance.

3. Nevertheless, the real position has never been adequately faced by the Commonwealth, which has never granted our full claim for assistance. The history of the special grant to the State prior to 1926 was stated in "The Case for Tasmania" prepared in that year, and we do not propose to repeat it, but will draw attention to the chief events in the years following. In 1926 a claim was made for a special annual grant for 10 years of £545,000, and presented to Sir Nicholas Lockyer. Sir Nicholas Lockyer, in April, 1926, recommended a special grant of £300,000 a year for 10 years, with other grants for special purposes equivalent to a further £150,000 a year. He proposed certain conditions, including a reduction in taxation amounting to £100,000 a year, and admitted that Tasmania appeared to have "suffered more than any other State by the direct and indirect influence of Federal policy."

4. In May, 1926, the Prime Minister announced the Commonwealth proposals for remedying the financial position of Tasmania. He repudiated any responsibility on the part of the Commonwealth for "alleged Federal disabilities," and contended that "the mere making of a money grant is not a solution of the problem," and that the true principle was "to discover the causes of the financial difficulties and to seek to provide means for their removal." A full scientific investigation of the prospects of increased production was promised. A grant of £310,000 was proposed to cover the interest and sinking fund charges of the State railways, and the then current special grant of £68,000 added. This made a special grant of £378,000 to be continued for two years.

5. In the two years in which the grant was paid the State Treasurer showed surpluses of £185,000 and £95,000 respectively, which went to reduce the accumulated unfunded deficiency of £395,000 at 30th June, 1926. It would appear, therefore, that the grant was excessive by £140,000 a year. But the surpluses were more apparent than real. It was true to the extent that the Treasury benefited by unexpected and non-recurring revenue from probate duties, but the larger part of the "surplus" was due to the fact that some of the charges against revenue shown in the "Case" to be proper charges were not made. These will be referred to in our present claim. The grant was used to meet some of these, to reduce the previous deficiency, and to ease taxation by about £180,000 to a level which still imposed a burden greater than the average burden in the other States, having regard to taxable capacity.

6. Meanwhile Commonwealth revenue had declined, and in January, 1928, an officer of the Commonwealth Treasury enquired into the financial position of the State. Following further negotiations the grant was continued for another year at the reduced amount of £220,000, pending an investigation being made into Tasmanian internal transport by the Development and Migration Commission. The Prime Minister stated that this sum had been "arrived at after careful examination of the State's finances," and drew attention to the substantial surpluses shown by the State. He mentioned "savings" that could be made by deleting provision for railway depreciation (£53,000) and interest on cancelled debt, approximately £60,000. The Premier asked that the grant should be increased to £250,000 to avoid budgeting for a deficiency for 1928-29, but this was refused.

7. In June, 1929, a further claim was made for increased assistance of £250,000, making, with the reduced grant of £220,000, a total of £470,000. It was suggested that of this £400,000 should be made a fixed grant for five years, and that the remaining £70,000 should be varied as might be found necessary. In addition a special grant was requested to cover losses incurred through the floods in Northern Tasmania. We do not propose to analyse this claim, as we intend to restate the whole financial position of the State.

SECTION II.—THE PRESENT POSITION.

8. The position of the Consolidated Revenue Fund at the end of the last financial year may be seen from the following statement of the accumulated deficiency:—

CONSOLIDATED REVENUE FUND.		
	£	Deficit.
	Nil	£ Nil
Revenue Fund as at 30th June, 1922		
(Aggregate Deficit, £496,272,		
funded—£146,871 prior to 1922,		
and £349,401 in 1924)		
Expenditure from 1.7.22 to 30.6.28	16,227,467	
Revenue from 1.7.22 to 30.6.28	16,113,141	
Expenditure, year 1928-29	2,855,976	114,326
Revenue, year 1928-29	2,766,434	
Revenue Deficit at 30.6.29 (exclud-		89,542
ing amount funded)		
Add Deferred Charges—		203,868
Closer Settlement—		
Loss to 30.6.24	£22,220	
Less Sinking Fund	15,760	
Loss in year 1928-29	6,460	
	6,878	
Railway Department—		13,338
Replacement and Renewal Expen-		
diture to 30.6.23 (this is being		
liquidated at the rate of £2500		
per annum)—Balance	35,252	
Obsolescence—Sorell Line	83,446	
Loss in Suspense—Marrawah		
Tram	85,590	
State Ships—		204,288
Loss on Realisation	71,102	
Less Sinking Fund	6,365	
Carried forward		64,737
		486,231

	£	Deficit. £
<i>Brought forward</i> .. .. .	..	486,231
Soldier Settlement—		
Loss in Suspense to 30.6.29*	432,693	
Less Sinking Fund	110,809	
		321,884
Hydro-Electric Department—		
Contribution to Depreciation and Replacement Fund (being liquidated at £2500 per annum) .. .. .	..	49,710
Adjustment of Stores Suspense Account, alienated and aban- doned stores .. .. .	..	28,566
Tasmanian Smelting Company—		
Loss on Loan .. .. .	..	5,633
Aggregate Deficiency in Revenue Account at 30.6.29 (excluding amount funded) .. .. .	..	£892,024

This figure cannot be compared with the statement of the accumulated deficiency as at 30th June, 1925 (£1,408,913), stated in "The Case for Tasmania" in 1926, without taking into consideration items included in that statement, which have been omitted here. The two statements may be harmonised as follows:—

	£	£
Deficiency in Consolidated Revenue Fund shown above .. .. .	..	892,024
Soldier Settlement loss to 30th June, 1923, funded by a loan authorised by 14 Geo. V. No. 9	232,142	
Less amount to credit of Sinking Fund (approximately)	9,300	
		222,842
Consolidated Revenue Deficiency to 30th June, 1922, funded by a loan raised under authority of 13 Geo. V. No. 7	349,401	
Less Sinking Fund (approximately)	9,300	
		340,101
Total Deficiency as at 30th June, 1929 (exclud- ing amount funded prior to 1922) .. .. .	..	1,454,967
Total Deficiency to 30th June, 1925 (as shown in "The Case for Tasmania")	1,408,913	
Less amount then included in Soldier Settlement losses, cancelled in 1926 by loan written off by Commonwealth Government	262,000	
		1,146,913
Increase in Revenue Deficiency since 30th June, 1925 .. .. .	..	£308,054

* Excluding £232,142 funded since 1923, and £262,000 received from the Commonwealth for Loan Cancellation, and applied to the liquidation of Soldier Settlement losses.

9. During the four years from 30th June, 1925, to 30th June, 1929, the State has received the following special grants from the Commonwealth:—

	£
1925-26	68,000
1926-27	378,000
1927-28	378,000
1928-29	220,000
Total	£1,044,000

It will be seen, therefore, that although the State has during these four years received an average Commonwealth grant of £261,000, and despite the "surplus" for two consecutive years, we have been compelled to add £308,054 to our accumulated deficiency. Actually the retrograde movement has been very much greater, for the amount here shown was achieved only by reducing former charges on the Revenue Account to the extent of approximately £130,000 per annum (£145,000 for 1929-30) at the sacrifice of the financial stability secured by the former sinking fund accretions. Adding together the average annual deficiency (£77,000) and the sinking fund accretions abandoned (£130,000), it will be seen that the State was short of revenue to the extent of £207,000 on an average special grant of £261,000, and even this does not take account of certain revenue charges omitted, although essential to financial stability. Since then the grant has been reduced by £11,000, while sinking fund contributions to a further amount of £15,000 have been abandoned, making the total shortage on this reckoning £233,000 for the current year, still exclusive of some of the omitted revenue charges mentioned.

10. We now propose to deal in greater detail with the annual deficiency, and for this purpose select the state of the Consolidated Revenue Fund at the end of the last financial year, and the estimated position at the end of the present financial year on 30th June next. Tables showing revenue and expenditure for the financial year 1928-29, and estimated revenue and expenditure for the current year, will be found in Appendix A.

It will be seen from the figures there presented that the financial position at 30th June, 1929 (exclusive of the deferred charges shown below), was as follows:—

Revenue, 1928-29	£	2,766,434
Expenditure, 1928-29		2,855,976
Deficiency for 1928-29, as per Treasurer's Statement		89,542
From this may be deducted Abnormal Expenditure owing to flood damage and loss of revenue		45,000
Making the Net Deficiency (had the year been normal)		44,542
Provision must also be made for the following revenue charges, which the State has so far been unable to meet:—		
(a) Contribution to Replacement and Depreciation Fund, Department of Railways (Balance)		40,000
(b) Soldier Settlement—		
Loss for the year transferred to Suspense Account		£74,282
Loss on Buildings (see Section X, below)		15,000
		89,282
(c) Expenditure on Maintenance of Roads and Bridges charged to loans or not performed on account of lack of funds (see note below for details)		103,044
(d) Marrawah Tram Suspense Account—Contribution to write off Losses in Suspense (£85,590, at 2 per cent.)		1,712
(e) Sorell Railway—Contribution to write off Losses in Suspense (£83,446, at 2 per cent.)		1,668
(f) Hydro-Electric Department Stores Suspense—Writing off Alienated and Abandoned Stores (Total, £28,566)		6,000
(g) Provision to reimburse Trust and Loan Funds in respect of Accumulated Revenue Deficiency (£114,326)		11,433
Total Deficiency for 1928-29		£297,681

11. We have not wished to include anything that might be construed as abnormal and non-recurrent expenditure, and for this reason have deducted the expenditure due to the recent floods, including a loss of £41,000 incurred by the Railway Department in repairing flood damage, and loss of revenue owing to flood dislocation. It is difficult to get an accurate estimate, as some of the work would have been performed irrespective of the damage done by the floods, and there was other maintenance work left undone on account of maintenance gangs drafted to the flood areas. We consider, however, that the £41,000 arrived at by the Railway Department

is a fair figure. This leaves a net deficiency on the Treasurer's statement of £44,542, which is the deficiency incurred on normal expenditure for the year, apart from the deferred revenue charges written to various suspense accounts.

12. In explanation of these deferred charges we offer the following comment:—

- (a) In 1926-27 and 1927-28 contributions were provided to a fund for depreciation and renewals of railway rolling stock of £52,500 and £53,000 respectively. Owing to the reduced Commonwealth grant only £10,000 was provided in 1928-29. The history of the charge is somewhat complicated, and is dealt with more fully in Section IX., where the whole position of the State Railways is discussed.
- (b) The whole position of losses in connection with Returned Soldier Settlements is also discussed in detail below. (Section X.)
- (c) The amount of £103,044 for expenditure on the Maintenance of Roads, Bridges, &c., is made up as follows:—

	£
Renewals of bridges and culverts charged to Loan Account	33,086
Road maintenance required, but not performed on account of lack of funds (approximately)	30,000
Amount expended on reconstruction under the Federal Aid Roads Scheme, and charged to Loan Account	39,958
	£103,044

A fuller explanation of all these items and their justification will be found in Section VIII. dealing with road policy.

- (d) The Marrawah Tram was previously managed by the Public Works Department, but on the recommendation of the Transport Committee, appointed by the D. and M. Commission, was taken over by the Railways Department at a valuation, disclosing the capital loss stated. Under an Act of Parliament (20 Geo. V. No. 19) this has to be written off at the rate of 2 per cent. per annum.

- (e) The Sorell Line was closed during 1927, and has been dismantled. It is not possible to comply with the financial principles adopted uniformly by the railways of Australia, but it is imperative that the railways should be relieved of the annual charge. It is proposed to write off the capital by a 2 per cent. sinking fund contribution, as prescribed for the Marrawah Tram.
- (f) This item represents one year's contributions to adjust the discrepancy between the Stores Suspense Account and the actual stock. This is an irregularity which must be adjusted as soon as possible, but we are spreading the contributions over five years, as we are asking for a grant over that period.
- (g) Ten years have been allowed for the writing-off of the accumulated deficiency.

SECTION III.—ESTIMATES FOR 1929-30.

13. It is difficult to come to an accurate conclusion concerning the accounts of the current financial year at this early stage, but we have gone into the position very carefully, and made the best estimates possible. Details of estimated revenue and expenditure for the year in the Treasurer's financial statement to Parliament will be found in Appendix A, and show an anticipated surplus of £2824, arrived at as follows:—

	£
Estimated Revenue for 1929-30	2,691,278
Estimated Expenditure for 1929-30	2,688,454
Estimated Surplus for the Year	<u>£2,824</u>

14. We now find that the position is not as favourable as anticipated. The revenue from the taxation of Tattersall's has been falling owing to the depression throughout Australia; it showed a decline of £29,125 last year, and may decline further this year. Owing to the losses incurred by large numbers of taxpayers in Northern Tasmania on account of the floods, it is doubtful whether income and other taxation will come up to expectations. There is also a constant loss of taxation by the conversion of local inscribed stock into Commonwealth stock, which the State cannot tax. We are, however, anxious not to over-state our needs, and will therefore

assume that the revenue estimates as a whole will be realised. In regard to estimated expenditure we are forced to take another view. In its anxiety to keep the cost of government as low as possible the Government has reduced estimates to the barest necessities. We fear that departments will not be able to keep within these estimates, and consultations with heads of departments confirm our fears. Our investigations have led us to believe that the amount necessary for additional expenditure this year cannot, on present figures, be calculated at less than £25,000. It may be a much greater figure, and we do not think that there is any possibility of an increase in estimated revenue to meet it. We have therefore come to the conclusion that the Treasurer's estimate of a surplus for the current year of £2824 must be turned into a deficit of £22,200. Adding to this deficit the deferred revenue charges as for 1928-29, we get the following estimated total deficiency:—

	£	£
Estimated Deficiency in Consolidated Revenue .....	....	22,200
(a) Railway Replacement and Depreciation Fund (nothing provided in Estimates, as against £10,000 in 1928-29) .....	...	50,000
(b) Soldier Settlement—		
Estimated Loss (say)	75,000	
Annual Loss on Buildings (see explanation, Section X., below)	15,000	
		<u>90,000</u>
(c) Roads, Bridges, &c.—Estimated additional expenditure (as estimated for 1928-29) .....	....	103,000
(d) Marrawah Tram Suspense Account (provided in Estimates) .....	...
(e) Sorell Railway—Contribution to liquidate Loss on Realisation .....	....	1,668
(f) Hydro-Electric Department—Stores adjustment .....	....	6,000
(g) Provision to reimburse Trust and Loan Funds in respect of accumulated Revenue Deficiency (£203,368) .....	...	20,387
Total Estimated Deficiency, 1929-30 .....	....	<u>£293,255</u>

15. This shows a slightly smaller total deficiency than that shown for the previous financial year, but the deficiency is really greater when it is taken into account that the grant in that year was £30,000 less than for the present year. To balance its accounts the State will need an addition of £293,000 to the present special grant, making a total of £543,000.

SECTION IV.—SUMMARY AND CLAIM.

16. It will now be possible to make a summary showing the additional financial assistance required from the Commonwealth. The position for the two years reviewed has been shown as follows:—

	1928-29. £	1929-30. £
Existing Commonwealth Grant . . .	220,000	250,000
Deficiency for the year	297,681	293,255
Total Grant required	<u>£517,681</u>	<u>£543,255</u>

As we have already pointed out, it is difficult to make accurate estimates at this stage of the deficiency for the current year, but we consider the figure arrived at as very conservative. Taking a general view of the position, it may be said that in some measure the increasing deficiency is due to the cumulative effects of failure to meet expenditure properly chargeable to revenue in the year in which it arises. It goes to show the danger of the policy of drift that the State has been forced to adopt owing to lack of funds to meet all its financial obligations as they arise. If the drift is not stopped by greater Commonwealth assistance, the only result to be expected is a gradually increasing annual deficiency.

17. We would therefore recommend that the Commonwealth Parliament should be asked to provide an additional grant of £293,000, making a total of £543,000 for 1929-30, and that for the following five years Tasmania should receive a minimum grant of £543,000 per annum. We do not thereby wish to imply that the need for the grant will have entirely passed at the end of five years, but recognise the need for stating a definite period. The reasons why we have fixed on five years are stated in the succeeding section. We would suggest that the Commonwealth Parliament should be asked to grant the amount stated for five years, and thereafter until Parliament otherwise provides. This would secure continuity, and would imply the recognition that our disabilities are not likely to be overcome for many years.

18. In making this recommendation we have kept in view the financial stringency with which the Commonwealth Government itself is faced, and have only stated the absolute minimum needs of the State. We have, for instance, not taken into account the extra sums needed to write down the capital of our railways, as explained in Section IX. below, nor have

we included in our claim more than the absolute minimum required for the rehabilitation of our roads. We have also left out of account the question of the provision of superannuation for public servants, which is becoming a pressing problem, and will have to be dealt with before long. The State has not been able to afford an adequate pension scheme for its servants, and even with the increased assistance now claimed will still be unable to afford it. We are, further, not asking for any sum to cover the expenditure undertaken by the State on the recommendations of the Development and Migration Commission. This expenditure now amounts to more than £30,000 per annum, and is gradually growing. Still further expansions on this account would be desirable, but cannot be undertaken under present financial conditions.

SECTION V.—THE DURATION OF THE GRANT.

19. We have asked that a fixed grant should be made for five years from the 30th June next, and it becomes necessary to justify the request for a grant over such a fixed period. We would like to point out at the outset that our chief justification for asking for a grant from the Commonwealth is that the Commonwealth Parliament has passed legislation which imposes definite disabilities on Tasmania, and it cannot be expected that these disabilities will disappear unless there is a change in the general policy of the Commonwealth. We do not dispute the right of the Commonwealth Parliament to pass what measures it thinks fit in the interests of Australia as a whole; but we suggest that having passed these measures, it behoves the Parliament of the Commonwealth to compensate States, which are suffering from ill-effects of such legislation, for the injuries inflicted on them. The trade and industry of Tasmania have been injured by the operation of the Commonwealth Customs Tariff, the Navigation Act, and other laws, and in so far as the protective policy of the Commonwealth embodied in this legislation can be considered permanent, so the disabilities suffered by this State must be considered more than a passing phase. This is the primary reason for asking for a grant over an extended period, and thereby avoiding the irritating and laborious procedure of arguing anew our case for assistance at the beginning of every financial year.

20. But there are other reasons of importance; in the absence of a fixed grant for an extended period, the Government of the State leads a hand-to-mouth existence, which is

fatal to the stability necessary for putting the State on a sound financial basis. The Development and Migration Commission recognised this necessity for stability in its first interim report on "Investigation Into the Present Position of Tasmania," in which the Commission (p. 7), states:

"It is the opinion of the Commission that Tasmania will require Federal assistance for some years to come, and it is recommended that, subsequent to 30th June, 1928, the amount of such assistance should be fixed at a definite sum per annum for five years thereafter. This period is suggested as the minimum period in which a fair judgment of the efficiency of the remedial measures can be made, and its adoption would enable definite plans to be developed under stable conditions."

The Commonwealth Government only accepted this recommendation for a five-year period at the beginning of this financial year, and then failed to give the State a grant adequate to ensure financial stability. Another financial year has now nearly passed, and the position is still unstable, as there has been a change in the Government of the Commonwealth and a reopening of the whole question. Hence our recommendation that the five-year period should commence on 1st July next. At the end of that period the question may then be reopened in the light of the experience five years of financial stability will have given. The five-year period as from 30th June next will also be convenient for the reason that the Federal Aid Roads Agreement will expire at the end of that period, and it will be convenient to review the two together.

SECTION VI.—STATE EXPENDITURE.

21. The cause of the financial difficulties of the State cannot be found in extravagant expenditure. The lack of revenue has, indeed, forced Tasmania to adopt a far lower level of Government expenditure generally than the other States. The burden of taxation has been so great as to induce the curtailment of expenditure wherever possible. This is shown in detail in the tables included in Appendix A. The total expenditure in Tasmania on all services during 1927-28 (the last year available for comparison) was £13 5s. 8d. per head, whereas the average for all the States was £18 5s. 8d., and the Government of Western Australia, which is also receiving Commonwealth assistance, spent no less than £25 1s. 5d., while South Australia spent £20 8s. 8d.

22. It should be pointed out that this comparison is of little significance, as it includes the expenditure of State enterprises. Such expenditure is obviously governed largely by the earning power of these enterprises, and will also differ with the extent to which the various governments have embarked on industrial undertakings. It also includes expenditure on public works and interest on debt, which for many reasons may vary considerably between the States, without showing extravagance on the part of States with a high expenditure per head. It is therefore best to eliminate these, and to compare only expenditure on such fundamental government functions as Education, Hospitals and Charities, Justice, Police, and General Government.

23. The position in regard to these fundamental services in all the States for the financial year 1927-28 is given in the following table, which shows that even in these essential functions the expenditure in Tasmania is well below the average, and far below that of some of the States:—

COST OF GOVERNMENT.
(Per Head of Population.)
Year 1927-28.

State.	Education.	Hospitals and Charities.	Police.	General Govern- ment.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales	1 16 4	0 19 10	0 11 5	3 9 6	6 17 1
Victoria	1 12 4	0 15 10	0 10 3	2 7 5	5 5 10
Queensland	1 14 11	0 18 10	0 12 9	2 10 0	5 16 6
South Australia	1 13 5	0 18 4	0 9 7	2 10 4	5 11 8
Western Australia	1 15 7	1 0 10	0 11 3	3 14 4	7 2 0
Tasmania	1 9 4	0 17 11	0 8 6	1 19 6	4 15 3
All States	1 14 5	0 18 5	0 11 0	2 18 0	6 1 10
Tasmania as a percentage of all States	85.2	97.3	77.3	68.1	78.1

24. A comparison of this expenditure for previous years shows the same result, as may be seen from Appendix B. It is not desirable that any one State should come much below the Australian standard in such expenditure. Tasmania is forced to do it by providing less adequate services and by paying its servants less than those employed by other States. The result is a constant migration of trained men and women.

from the State, making the cost of training greater than it otherwise would be. This trend is particularly noticeable among teachers trained in Tasmania, who are readily absorbed at higher salaries in the mainland States. But we are not asking for any increased assistance to remedy this position, hoping that as our general financial position improves we may be able to afford a little more to put these services on a better footing.

SECTION VII.—THE COST OF DEVELOPMENT.

25. Because of the natural configuration of Tasmania the cost of development, particularly transport development, has been relatively high. This has saddled the State with a large burden of public debt, for which no adequate return is received. While these high costs are chiefly due to the difficulties of construction of both roads and railways in a mountainous country, they have been added to by costs due to the Commonwealth Customs Tariff. To quote only one instance, customs duty to the amount of approximately £300,000 was paid on the machinery purchased for our Hydro-Electric Department, which could not be obtained in Australia.

26. As pointed out in "The Case for Tasmania" in 1926 (p. 13), it cannot be said that the State has pursued an extravagant policy. It has merely followed the generally accepted policy of development; but expectations have not been realised, and the return for expenditure on roads, railways, and land settlement has not been met by either direct revenue or tax revenue from greater production. A comparison of the average excess of revenue over working expenses of business undertakings in each of the six States, per head of population, for the last five years is shown in the following table:—

State.	Per Head of Population.			Comparison of Profit with Average Profit of All States.
	Revenue.	Working Expenses.	Profit on Working.	
	£ s. d.	£ s. d.	£ s. d.	
New South Wales.....	10 4 7	7 7 3	2 17 4	118·6
Victoria.....	8 10 3	6 6 8	2 3 7	90·2
Queensland.....	8 6 2	7 2 6	1 3 8	49·0
South Australia.....	9 18 10	6 10 8	2 14 2	112·1
Western Australia.....	13 2 8	9 0 7	4 2 1	160·7
Tasmania.....	3 19 1	3 4 1	0 15 0	31·0
ALL STATES.....	9 7 6	6 10 2	2 8 4	100·0

This shows that the business undertakings of Tasmania only return 31 per cent. of the average of all States.

The following statement shows the net annual cost per head of population of developmental utilities in Tasmania in 1927-28, as compared with the average for all States:—

	Tasmania.		All States.	
	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Interest and Sinking Funds (net)	4 12 11		4 3 0	
Operating Expenses	3 6 0		7 4 10	
Total Expenditure		7 18 11		11 7 10
Revenue from Services	4 10 6		10 5 8	
Revenue from Land	0 6 6		0 16 4	
Total Revenue		4 17 0		11 2 0
Net Cost, 1927-28		£3 1 11		£0 5 10

On the expenditure recorded for 1927-28, Tasmania is therefore at a disadvantage in the cost of these utilities to the extent of £2 16s. 1d. per head of population. In addition there are the charges which for lack of revenue have been charged to loans or suspense accounts or omitted, and therefore have not been recorded here.

27. The loan expenditure during the last five years has been exceptionally low, as shown in Appendix D. We submit that this shows a genuine endeavour on the part of the State to curtail its loan expenditure to a bare minimum. Table 3 in Appendix D shows that, while the six States have spent on an average £5 13s. 5d. per head of population, Tasmania has only spent £1 14s. 5d., or 30 per cent. of the average. Even this small amount is not all spent on new works; some has been used for repairs and renewals, which the State could not find revenue to perform, as explained in the following section. Table 2 in Appendix D shows that the loan expenditure was somewhat heavier in the previous five years, but £3,000,000 of this was spent on hydro-electric development, which has shown itself to be justified, and £2,000,000 on soldier settlement which had to be undertaken to conform with the policy initiated by the Commonwealth and adopted by the other States.

We now propose to deal in greater detail with some of these charges, coming under the three main heads of Roads, Railways, and Soldier Settlement.

SECTION VIII.—ROAD POLICY.

28. The expenditure on roads, bridges, &c., which returns practically no revenue, has been particularly heavy in Tasmania. This is partly due to the mountainous nature of the country, which makes expenditure per mile relatively higher than in the other States; and partly due to the heavier rainfall, which does not allow of the proportion of unformed roads possible in States with large relatively dry areas. The proportion of aggregate loan expenditure up to 30th June, 1928, devoted to roads, bridges, harbours, and rivers (in short, to transport facilities other than railways) in Tasmania was 25 per cent., as against 10 per cent. in the six States.* Putting it in a different way, Tasmania's expenditure under this head amounts to approximately £29 9s. 4d. per head of population, as compared with an average of £10 19s. for the five other States.

29. Not only does this impose a heavy burden in the way of interest charges, but there are also heavy charges for maintenance. These charges the State has been unable to meet adequately for many years past. Repairs and reconstruction that have become urgent have been met out of loan funds, but sufficient funds have not been provided even from this source to keep the roads in condition. The Development and Migration Commission's Transport Committee pointed out the seriousness of the position on page 39 of its report, where it states:

"Tasmania's splendid road system is the best asset the State possesses of all works provided from expenditure of public funds. The asset is suffering a very serious depreciation through the advent of the motor-vehicle, the insufficiency of funds for maintaining its efficiency, and the consequent absence of a system of continuous maintenance."

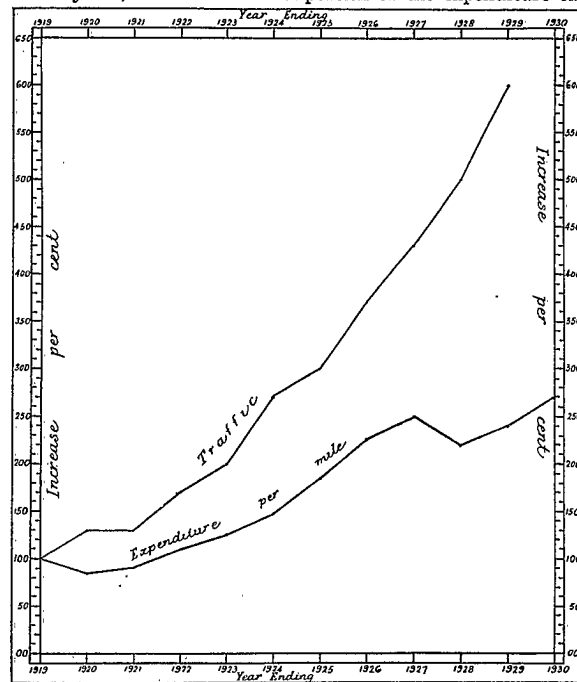
The Committee formed the opinion that the roads maintenance problem, if not solved in the near future, would "develop to a dangerous magnitude."

30. We show in Paragraph 12 (c) above that the amount of £103,044 claimed for road maintenance is made up as follows:—

(a) Renewals of Bridges and Culverts charged to Loan Account	£ 33,086
(b) Road Maintenance required, but not performed	30,000
(c) Reconstruction charged to Loan Account (Federal Aid Roads)	39,958
Total	£103,044

* See Appendix D, Table 4.

These figures have been arrived at in consultation with the Director of Public Works. It was difficult to arrive at an exact figure for Item (a). The expenditure under this head during the last financial year was £47,810, but this figure was inflated owing to repairs due to the floods in Northern Tasmania. Approximately £25,000 was spent in these repairs, but this was not all abnormal expenditure. An average for the previous five years shows that there is an annual expenditure of about £3500 for flood damages, and this has to be deducted. In addition a great many bridges and culverts carried away by the floods were due for renewal within the next two or three years, and a substantial portion of the expenditure on



would have to be deducted. In view of these circumstances we came to the conclusion that the best measure would be obtained by leaving the financial year 1928-29 out of consideration, and taking the average for the five previous years, which gave the amount stated, viz., £33,086.

31. The amount claimed under Item (b) is based on a rather conservative estimate, considering the increase in traffic, of the deficiency in maintenance on main roads only. On a calculation based on the increase in traffic, as shown in motor registrations, an additional amount of £75,000 would be required to keep the roads in the same order as they were in 1919. This year is taken as a basis, as it marks the inception of a marked increase in motor traffic in the State, and in that year £23 per mile was spent on the maintenance of main roads. It will be seen from the graph on page 17 that since then motor traffic has increased by 500 per cent., whereas the expenditure on maintenance has only increased 170 per cent.—to £62 per mile. To provide for maintenance at the same standard as in 1919, the amount of £140 per mile per annum would be required, which on a total mileage of a little more than 1000 would amount to £140,000, as against £65,000 provided, leaving a shortage of £75,000. But in view of the financial difficulties of the State, the Director of Public Works has prepared an estimate, which, although falling far short of the previous standard, would in his opinion prevent the roads from getting into a worse state. Of the main roads of the State, 750 miles can be classed as arterial roads and 250 miles as trunk roads, and he estimates reasonably efficient maintenance as follows:—

Arterial Roads—750 miles, at £100 per mile	£75,000
Trunk Roads—250 miles, at £80 per mile	20,000
Total required	95,000
Amount available	65,000
Deficiency	£30,000

32. Item (c), £39,958, is the average amount spent by the State on the reconstruction of roads under the Federal Aid Roads Scheme for the past five years. This is also work that should be charged to revenue, but it has to be charged to loan funds, as the revenue cannot be found by the State. It is in reality nothing more than repair work, and the Transport Committee pointed out that "however justifiable this may be from a traffic point of view, the practice of utilising loan funds for works of this nature is unsound" (p. 37).

33. It should be pointed out that this is not new expenditure, but a reinstatement of old revenue charges in a new form. In the other States this type of expenditure is mainly revenue expenditure; in Tasmania it has in the past been charged to loans, for a very good reason. Tasmania has always provided sinking funds for loans raised for such purposes, and these sinking funds have borne some relation to the life of the works undertaken, being carefully graded up to 3 per cent. for loans expended on the renewal of bridges and similar works. This system was established 28 years ago, and has worked reasonably well, but the financial agreement between the Commonwealth and the States has materially altered the position, in that the State has abandoned sinking fund provisions now aggregating £145,000.

34. The financial agreement took no cognisance of these special circumstances in the case of Tasmania, as the other States had the different method of charging maintenance and renewals directly to revenue, and therefore had no need of substantial sinking funds. Considerations of simplicity and uniformity of rates outweighed other factors, with the result that sinking fund provisions were dropped to 5s. per cent. on this debt as well as on all other. This fact has made it necessary to fall in with the practice of other States to charge renewals and maintenance to revenue. If this is not done, the State must gradually sink further into debt. The amount of £108,044 claimed is therefore not excessive, and we are not claiming anything for charges accumulated under this head since the financial agreement came into operation.

SECTION IX.—THE STATE RAILWAYS.

35. The State railways are undeniably in a bad position, and have caused the Government of Tasmania a great deal of concern. There were substantial losses on all Australian State railways in 1928-29, but Tasmania was the only State showing an actual loss on working. The deficits, according to the reports of the various Commissioners, were as follows:—

State.	Profit or Loss (—) on Working.	Loss After Paying Interest.	Loss Per Head of Population.
	£	£	s. d.
New South Wales	4,637,566	1,039,386	8 6
Victoria	3,035,752	452,657	5 2
Queensland	1,365,846	1,003,980	35 0
South Australia	184,641	1,182,166	40 10
Western Australia	744,318	178,699	8 10
Tasmania	—59,797	343,351	31 9
All States	£9,908,326	4,800,239	15 2

These figures show the loss to Tasmania as far greater than the average loss, but do not disclose the full loss. Tasmania's loss would have been far greater had the expenditure on maintenance been on the same scale as that in the other States. South Australia, which is also receiving Commonwealth assistance, shows the greatest loss, but the figure is inflated owing to provision for depreciation. Had Tasmania provided the same standard of rolling stock maintenance, and made the same provision for depreciation, the loss per head of population would have been 46s. 11d.

36. That the Commonwealth Government in the past has recognised the seriousness of the position is shown by the fact that in granting assistance in 1926 the Government was guided solely by the amount of the deficiency on the railways. Sir Nicholas Lockyer also pointed out that the real position was far more serious than that disclosed by the records of annual losses, since little or no provision had been made for replacement of worn-out assets. The Development and Migration Commission's Transport Committee took a similar view, and recommended more adequate provision for replacements and depreciation.

37. We are chiefly concerned with the justification of the item of £40,000 for replacements and depreciation shown among the deferred revenue charges in Paragraph 10, and briefly dealt with in Paragraph 12 (a). Nothing had been provided under this item up to the end of the financial year 1925-26, but Sir Nicholas Lockyer's report, published shortly before the end of that year, pointed out the seriousness of the position, without making a definite recommendation. This, together with the fact that the grant for the following two years was based on the position of the railway finances, led the Government of Tasmania to provide £52,500 in 1926-27, and £53,000 in 1927-28, for railways "depreciation." The word "depreciation" was seized upon by the then Commonwealth Treasurer, Dr. Page, who pointed out, quite erroneously, that no other State could afford such a "luxury," and that Tasmania had no right to expect the Commonwealth to find money for such expenditure. It was incorrect then, and it is incorrect now, to state that no other State in the Commonwealth provides money under this head, but only a close perusal of railway annual reports will disclose the fact.

38. Provision for depreciation is closely bound up with expenditure on maintenance. It may even be argued that if proper maintenance is performed year by year, there is no need

to provide for depreciation. This involves, however, a regular programme for the relaying of rails, resleepering, rebuilding of bridges, and replacement of worn-out and obsolete rolling stock. But this appears rather too much to expect of any railway management. In lean years "savings" will be made here and there, and it is invariably maintenance expenditure that suffers. On non-paying railways this becomes chronic, and all Australian State Railways have an accumulation of such deferred charges. South Australia admits to £4,500,000 accrued depreciation, which is gradually being written off, and the recent Royal Commission on the Victorian railways recommended the writing off of £16,500,000 of dead assets. No calculation has been made of such accrued depreciation in Tasmania, but the Transport Committee considered that 42 per cent. of the value of rolling stock should be written off, and this seems a moderate figure, as the South Australian railways, which have consistently spent much more on the maintenance of rolling stock in the past, calculate their accrued depreciation at 40 per cent.

39. The key to the position is therefore the annual expenditure on maintenance, and we propose to show that Tasmania spends a great deal less on maintenance, particularly the maintenance of rolling stock, than any of the other States, with the inevitable result that there is an accumulation of deferred charges, which will have to be met sooner or later. The amounts spent by the various States on the maintenance of rolling stock during the last financial year are shown in the following table, and related to the capital value of the rolling stock:—

State.	Capital Value of Rolling Stock as at 30.6.1929.	Maintenance of Rolling Stock, 1928-29.	Maintenance as Percentage of Capital.
	£	£	%
New South Wales	25,074,551	3,448,215	13.8
Victoria	13,683,496	1,567,247	11.5
Queensland	11,440,053	1,124,229	9.8
South Australia	7,565,296	891,970	11.8
Western Australia	4,645,300	486,400	10.4
Tasmania	1,212,212	68,103	5.6
All States	63,620,908	7,586,164	11.9

The amount shown as spent in Victoria does not include £250,000 provided for repayment to capital in respect of rolling

stock withdrawn; including this, the Victorian proportion becomes 13·3 per cent. instead of 11·5 per cent. The capital amount shown for South Australia includes £3,064,788 written off as depreciation of existing rolling stock, and if the new valuation of £4,500,508 is taken, the proportion of expenditure becomes 19·8 per cent., which approaches the British standard of approximately 20 per cent.

40. The table shows that Tasmania spends less than half as much on the maintenance of rolling stock as is spent on the average by all States, including Tasmania, and that the Tasmanian railways would have to increase their expenditure on this item by more than £70,000 to reach the average standard. This is the justification for the charge for "depreciation." As already stated, two amounts of £52,500 and £53,000 were provided in 1926-27 and 1927-28, but with the reduced Commonwealth grant in 1928-29 the amount had to be reduced to £10,000, and has been omitted altogether for the present financial year. But it is imperative that this charge should be reinstated, and it has been put down in the claim at £50,000, which was the amount recommended by the Transport Committee. If the whole of this amount were spent on the renewal of obsolete rolling stock, it would barely bring the expenditure up to the standard of the Queensland railways, which is the lowest of the other States.

41. There would still be no provision for accrued depreciation. The Transport Committee considered its estimate of accrued depreciation of rolling stock at £490,500 as very moderate, and an actual valuation would no doubt disclose a much larger amount. No estimate has been made of accrued depreciation of ways and works, but this will also be a considerable amount. There should be little on the two trunk lines, which are kept in good order, apart from obsolete buildings, such as the Hobart and Launceston station buildings, which must soon be renewed. But there are many branch lines with traffic so small that it obviously does not pay to keep them in order.

42. Unpleasant reminders of this state of affairs come on such occasions as when a branch line has to be closed, as in the case of the Sorell line. Although this line has already been dismantled, there is still a sum of £83,446 left on the capital account of the railways. Two further sections of branch lines (Melrose-Barrington and Nickel Junction-Williamsford) have now been closed, and their capital value

of approximately £95,000 must be written off. Two other lines, the Apsley line and the Mole Creek line, are incurring heavy annual losses, and with the growing inroads of motor competition it is not unlikely that these also will have to be closed to avoid further losses. Their combined capital cost amounts to £206,000. Taking these facts into consideration, it would not be unreasonable to provide another £50,000 a year for accrued depreciation in addition to the £50,000 proposed provision for renewals to rolling stock. We would point out that the Government of South Australia, which is also receiving Commonwealth assistance, provided not less than £442,657 under these heads for the past financial year. The Tasmanian railways have a greater proportionate amount of accrued depreciation to meet, but if only the same proportionate amount were charged the additional charge would amount to more than £90,000. In addition we have only allowed £50,000 for rolling stock renewals, instead of the £70,000 required to bring the maintenance standard up to that of the average of the other States, which also happens to be the standard adopted in South Australia.

SECTION X.—SOLDIER SETTLEMENT.

43. The matter of losses on returned soldier settlements was treated fairly fully in "The Case for Tasmania" in 1926, and need not be dealt with in the same detail here, as no new position has arisen. It was pointed out that Tasmania's expenditure on soldier settlements per head of population had been far greater than that of any other State, owing partly to a proportionately greater number of soldiers being settled, and partly to the fact that a greater proportion of private lands had to be acquired for settlement. The loan expenditure for Tasmania prior to 1926 was £11 7s. per head, as compared with £7 2s. 10d. per head for all States. Comparable figures for losses are difficult to obtain, but the loan expenditure may be taken as a fair index, and shows that Tasmania is bearing 66 per cent. more than the average. If taxable capacity is taken into account, Tasmania's burden is even greater.

44. The loss for 1929-30 is estimated in Paragraph 14 at £75,000 (exclusive of provision for buildings), and is the estimate of the Department based on last year's loss as compared with the general outlook this year. The expenditure of the Department is fairly constant, and the amount chargeable for rent and interest does not vary much, the chief point of variation from year to year being the reserve required for bad and doubtful debts. This is governed entirely by collections during

the year under review, and the collections to date have been slightly in excess of those of last year. There has been, however, a steady decline in collections during the last four months, and there is a general slump in the markets for fruit, potatoes, and other produce. Prices for small fruits have been low, particularly the prices obtained for black currants, and there is a rapid decline in the price of potatoes. The outlook for the apple market is also bad; overseas buyers are not nearly as active as they have been in past years, and Tasmanian growers depend to a greater degree on overseas markets than growers in other States. It should be pointed out that the loss for 1928-29 was a great deal lower than the average for the last five years, the losses since 1924-25 being as follows:—

	£
1924-25	71,682
1925-26	84,686
1926-27	301,926
1927-28	92,944
1928-29	74,282

45. The item of £15,000 for the depreciation of buildings has been brought about by a measure of relief granted to settlers in 1928. Regulations were then brought into force which provided that no repayment would be required from returned soldiers in respect of capital for buildings purchased or erected or for advances for improvements. All future advances for buildings and improvements must, however, be repaid. The provision was a necessary measure of relief, and involves the provision of a reserve for the depreciation of the buildings and improvements.

46. The amount of this provision is arrived at as follows. At 31st December, 1929, the Department had on its books buildings purchased with the properties valued at £98,010, the average date of purchase being 30th June, 1920. The life of farm buildings is assumed to be 36 years, and it is assumed that the average age of the buildings at the time of purchase was 18 years. They should therefore be written off by 1938, and to do this it will be necessary to provide a contribution of £12,251 per annum. There are also buildings and other perishable improvements valued at £90,789 erected since the land was purchased for settlement, the average date of the expenditure being 30th June, 1922. Assuming again an average life of 36 years, these must be written off by 1958, which means an annual provision of £3243, making a total annual charge for both classes of buildings £15,494.

SECTION XI.—THE ECONOMIC POSITION.

47. We have pointed out in Paragraph 2 above that the claim of the State for financial assistance rests on two grounds: the inability of the State to meet its financial obligations as they arise, and the fact that this position is largely brought about by disabilities imposed by the Federation. It has been pointed out by Professor L. F. Giblin in a separate memorandum, which we have attached (Appendix J), that the first ground is sufficient to make financial assistance both necessary and justified, and we have shown in the preceding sections the need for an additional grant of approximately £293,000 from the Commonwealth.

48. It cannot be disputed that Tasmania is less prosperous than her sister States, and it is perhaps unnecessary to stress this; but we may draw attention to the main facts. There has been a constant loss of population; rather serious at times, but to some extent arrested during the last three years. As this improved position has been brought about in the years following those in which the State has received increased assistance from the Commonwealth, and as a result has been able to reduce taxation to some small extent, it is not unreasonable to connect the two. We are, however, still losing some of our natural increase in population. What this means to Tasmania was set out fairly fully in "The Case for Tasmania" in 1926, and is again outlined from a somewhat different point of view by Mr. E. T. McPhee, Government Statistician, in a statement embodied in Appendix F. As pointed out by Professor Giblin, an increased population would not only mean an improved economic position, but would, in general, result in a substantial gain to the Treasury by the greater spread of the general costs of government, and by a fuller utilisation of the Government railways and other public utilities.

49. There is, further, the very clear evidence of the low taxable capacity of the State as compared with the rest of the Commonwealth. Professor Giblin's memorandum shows (Paragraph 34) that the taxable capacity of Tasmania during the last 14 years has been only 56 per cent. of the average for the Commonwealth, in the last four years 47 per cent., and for the last income year 54 per cent. of the average. There are, as he points out, fluctuations in taxable capacity as between the other States from year to year, but the Tasmanian figure remains consistently low. Professor Giblin goes on (Paragraphs 43-47) to measure the relative severity of taxation in

the various States, and the figures are so striking that they may with advantage be repeated here. They are shown in the following table:—

SEVERITY OF TAXATION.

State.	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.
New South Wales ..	91	88	99	89	96
Victoria	71	74	69	75	69
Queensland	180	161	167	178	164
South Australia . . .	118	136	123	153	150
Western Australia ..	125	140	104	106	109
Tasmania	230	232	174	149	153
All States	100	100	100	100	100

50. Taxable capacity has been treated by Professor Giblin as a relative conception, and it is difficult to treat it in an absolute sense, but some suggestions may be made in the light of these figures. There is no definite standard by which one can arrive at a conclusion as to whether existing taxation has absorbed all taxable capacity; one can only suggest that the limit of taxable capacity is being approached. Taxable capacity in this sense may be defined as the total surplus of production over consumption, the standard of living remaining intact. The minimum consumption must include the things necessary to maintain efficiency of production, including an amount for the replacement of capital worn out and additions to capital to provide for the natural growth of population. If this growth is not provided for, population will drift away, and if the minimum required to maintain existing production is not provided, the loss of population will be greater than the natural increase.

51. It may be suggested, therefore, that in the years 1924-26, when Tasmania had a total taxation considerably more than twice as heavy as the average of the other States, she had gone beyond the limit of her taxable capacity, and that the relief in the following year only came in time to prevent a serious crisis. Not only was population flocking to the other States at the rate of 2 per cent. per annum, but there is every indication that there was also a "flight" of capital to the more prosperous and less heavily taxed States. Unquestionably the burden of taxation was pressing severely, and it appears fairly certain that the burden could not have been borne much longer. It was carried temporarily only by "saving" the necessary expenditure in repairs and renewals.

52. One further point in connection with the relative severity of taxation may be noted. The table above is based on the assumption that the conditions in the various States are equal. As far as the cost of living and the standard of living are concerned this may be taken as approximately correct, but the nature of government expenditure has also a bearing on the question. It is clear that the more services a government provides, the more it is able to collect from taxpayers on account of those services. For instance, a government which provided nothing for education, hospitals, &c., could take less in taxation than one which did, because in the former case those services would have to be provided by private enterprise, and therefore paid for directly instead of by taxation. It has been shown in Section VI. that the Government of Tasmania is unable to provide as much for these services as the other States, because a greater proportion of its revenue is required for interest on debt, which is largely unproductive, and relatively high transport costs. We must therefore conclude that Tasmanians get less in return for their high taxation than their more fortunate neighbours, and that the severity of taxation in consequence is, if anything, somewhat greater than indicated in the table. One small instance may be quoted in support of this contention. Figures for expenditure from revenue on buildings and equipment by the Education Department show that in recent years only half the total expenditure has been met by the Department, the other half being collected by parents' associations. The total is perhaps trivial, but it shows that even bare necessities cannot be got from the relatively heavy taxation.

SECTION XII.—THE INCIDENCE OF COMMON-WEALTH LEGISLATION.

53. We have yet to consider the effect of Commonwealth legislation on the State. You have suggested to us that we should endeavour to make an estimate of the costs imposed on the State by such legislation from the inception of the Commonwealth to the present day. We submit that it is impossible to prepare a profit and loss account of the economic effects of Federation which would be acceptable to both parties; this is so much a matter for pure conjecture that no good purpose could be served by such an investigation. We would point out that we have come to this conclusion not merely owing to the limited time at our disposal; we consider that no amount of

research would guide us to anything like a reasonable conclusion. Such a statement would require a convincing valuation of such items as the following:—

- (1) The net effect of the protective policy of the Commonwealth.
- (2) The net gain or loss from interstate free trade.
- (3) The effect of the Navigation Act.
- (4) The effect of industrial arbitration.

54. It will not take much consideration to bring the conviction of the impracticability of assigning to these matters values which could be sustained against even friendly criticism. An attempt to measure unequal effects of tariff protection and Customs taxation for one year (1925-26) was made by Professors Brigiden and Giblin in a memorandum prepared for the Royal Commission on the Constitution,* and Professor Giblin again attempts it in the memorandum attached, showing the net loss as approximately £800,000. But the estimate is admittedly only an approximation, and the same authorities find it impossible to estimate the effects of the Navigation Act as too difficult on account of other influences intervening.

55. It therefore remains for the Committee to present such circumstantial evidence as will carry conviction, that the accumulated effects have been serious, and that the disabilities suffered demand greater sympathy and more generous treatment from the Commonwealth than has been shown in the past. We do not propose to go into this evidence in detail, as it is readily available elsewhere, and will content ourselves chiefly by references to statements from various sources. Professor Giblin has gone into the matter in detail in the memorandum attached and, with Professor Brigiden, in the memorandum presented to the Royal Commission on the Constitution. Further evidence of unequal effects of the tariff as between the States is given in the reports of the Commissions which investigated the claims of Western Australia and South Australia for Commonwealth assistance. The Royal Commission on the Finances of South Australia (Report, Paragraph 45) states its conviction that inequalities do exist, although they refuse to accept measurements of the burden, and quote the case of the Southern States of the U.S.A. to show that this inequality of incidence is inherent in all Federations. The Royal Commission on the Finances of Western Australia comes to the same conclusion, showing that that State, being

* Minutes of Evidence, Part 5, pp. 1700-1720.

a primary producing State, has suffered severely from the operations of the tariff, and quotes a report of the Tariff Board in support of this conclusion.

56. We submit that Tasmania is in the same position as these two States. Tasmania depends to a very large extent on primary production, and our largest secondary industry, the electrolytic zinc industry, is an exporting industry bearing the costs of protection without receiving its benefits. "The Case for Tasmania" shows clearly how manufacturing industries have declined in Tasmania since the advent of Federation and interstate free trade, a quite natural development, due to the economies of large-scale production making for concentration of manufacture at certain points. That these points should be the large centres of population in the central States, where a large proportion of the consuming public is concentrated, is equally natural. Professor Brigiden* has shown that while there was an increase of 70 per cent. in industrial breadwinners between the years 1901 and 1921 in Australia as a whole, the increase in Tasmania was only 20 per cent. Between 1921 and 1926 the increase for the Commonwealth amounted to a further 16.4 per cent., as against 3.6 per cent. for Tasmania. Statistics showing the relatively small proportion of manufacture in Tasmania are shown in Appendix G.

57. But it seems unnecessary to stress this point further in view of the fact that it was freely admitted by Sir Nicholas Lockyer in his report in May, 1926, when he said:

"It appears to be certain that Tasmania has suffered more than any other State by the direct and indirect influence of Federal policy. The State not only has been unable to share in the remarkable prosperity which has been so marked a feature in regard to Australia generally during the period covered by Federation, but to an increasing extent each year she lags behind her more fortunate sister States. The most convincing evidence of this is the very regrettable serious annual loss of population. The accumulating effect of these conditions on the finances makes it less possible for the State each year to meet the common requirements of government, and still less to meet what is indispensable for the development of its natural resources."

* J. B. Brigiden: "Tasmania—An Economic Sketch," p. 11.

58. What has been said of the effects of the tariff may be said of the effects of the Navigation Act, perhaps even with more emphasis, since Tasmania is more dependent on sea transport than any other State. Not only is this the case, but the interstate trade of Tasmania is far greater per head of population than the trade of any other State. Roughly, the volume of Tasmania's interstate trade is two and a half times as great as the average for all States, and even this does not give the complete position, as Tasmanian trade is more valuable per unit than that of the other States. The high proportion of coal entering the trade of New South Wales, Victoria, and South Australia, and the iron ore carried from South Australia, would depress the average values for Australia as a whole. Statistics for 1922 show that coal, valued at a little over £1 per ton, comprised over half the Australian interstate tonnage in that year, while the average value of Tasmanian interstate trade per ton is about £14. A further factor worthy of mention is that the imports into Tasmania from the mainland States are considerably greater than our exports to those States. In 1928-29 the imports from other States were valued at £7,470,693 and the exports at £7,018,914.

59. But Tasmania's trade with the mainland does not consist in goods alone; there is a considerable tourist trade, which has been hampered by the poorer services that have resulted from the raising of costs by the Act. The tourist trade means a great deal to Tasmania, and its expansion is an essential to the economic welfare of the State. The trade can only be increased by the use of better ships and more frequent sailings to and from mainland ports, and the Act has evidently made such improvements too costly to be undertaken by unaided private enterprise.

60. Taking these factors together, the greater volume and higher value of Tasmanian interstate trade, the importance of the tourist traffic, and the fact that all our interstate traffic is dependent on shipping facilities, the importance of interstate shipping to the State is relatively great. Tasmania has suffered in two directions: by the curtailment of services and by increases in freights and fares. Appendix H gives details of the decrease in services and the increase in freights, from which it will be seen that the State is under considerable disabilities in this direction. As has been already pointed out, the cost cannot be estimated with any degree of accuracy, but probably the cost estimated in "The Case for Tasmania," of 150 per cent. in excess of the average for Australia, is not far out. How

far these costs are caused directly by the Navigation Act cannot be ascertained, but it seems certain that Tasmania bears a quite disproportionate amount of the costs imposed by the Act on account of the importance of its interstate trade and tourist traffic. The very importance of the trade puts Tasmanian producers in a weak position as regards bargaining power, and the costs imposed are therefore likely to remain with them.

61. Assistance to producers has been granted by the Commonwealth in other instances of a similar nature. The mere fact that market prices have been too low to pay costs in the dried and canned fruit industries has been sufficient for the Commonwealth to come to the aid of these industries. Increased freights have caused heavy losses to Tasmanian producers. We submit that Commonwealth protective legislation is the cause of these increased freights; but whether this is accepted or not, there is a case for assistance on the same grounds as those on which assistance was granted to the industries mentioned. In the case of these industries, and, as pointed out by Professor Giblin, in the case of the sugar industry, the economic difficulties of the regions concerned are more easily seen by reason of their being concentrated in one industry. The loss to Tasmanian producers, being diffused among a number of industries, is not so readily appreciated, but is just as real and equally entitled to consideration.

SECTION XIII.—THE PRACTICE IN OTHER FEDERATIONS.

62. We are only stating these disabilities in outline, feeling certain that they are so generally recognised as to make it unnecessary for us to go into them in detail. Whatever weight is given to them, our case rests primarily on the fact that the State needs additional financial assistance, unless it is to sink slowly into greater difficulties, from which it will sooner or later have to be rescued. It should be clear from our statement that Tasmania is spending far too much from loan money on works which ought to be financed from revenue, and the fact that the State has had a very moderate loan expenditure in recent years does not detract from this danger. Tasmania is already bearing a heavy burden of interest, which is being slowly added to by such expenditure. Were it spent on new works of a developmental character, there would be at least the hope that, if not directly reproductive, it would indirectly add to the

resources of the State, but no such hope can be entertained. To this category belongs £73,000 of the expenditure on renewals of roads and bridges, the £50,000 claimed for renewals and replacements of railway rolling stock, and the £90,000 annual loss on soldier settlements, for which the State cannot find revenue. These three items alone make a total of £213,000, to which must be added the uncertain quantity of the Consolidated Revenue deficiency. Considering that our total loan expenditure for the last five years has only averaged £367,728 per year, the expenditure on the development of the State has been exceedingly small. The bulk of our loan money has gone to provide necessities which should have been provided from revenue, and would have been so provided had the State been able to raise sufficient revenue. The danger of this procedure to the financial stability of the State will be readily seen.

63. We have already quoted a number of Australian authorities in support of our claim; we might go further, and show what has been done under similar circumstances in other countries. In "The Case for Tasmania," 1926 (Appendix 10), there were quoted statistics of grants to the Canadian provinces and the Commonwealths of the United States. We do not propose to repeat these, but wish to point out that they illustrate the principle of grants based on the needs of the States or provinces. There has been, however, in recent years in Canada an example almost parallel to that of Tasmania; namely, the case of the Maritime Provinces. A Royal Commission was appointed to enquire into their claims for financial assistance, and the report of this Commission shows that the case of these provinces bears such a striking similarity to the case of Tasmania that we would like to quote it fairly fully. We have therefore set it out in Appendix I, where we have also included the results of the recommendations, as far as they are known to us.

64. We are also able to quote cases of a similar character from the United Kingdom. The difference between the Federal and State Governments of a federation, and the Central and Local Governments of a unitary country, is one of degree only, and local bodies in the United Kingdom have powers not greatly inferior to those of the Australian States. There have been in the past special grants to local bodies in Great Britain whose resources have been less than the average, known as "necessitous areas grants." These have now been supplanted by grants taking account of ratable capacity, which, as Professor Giblin points out, is, in effect, taxable capacity. This was not the first time taxable capacity has been used to measure the

financial resources of an area. It was recommended in 1925 by a committee set up to determine the financial relations between Northern Ireland and the United Kingdom.

SECTION XIV.—CONCLUSION.

65. The principle of grants by central governments to an area (be it a state, province, or county) according to its necessities is therefore well established, and is recognised as equitable by authorities on public finance. It is in reality only an extension of the principle which governs the taxation systems and the public expenditure of every progressive nation in the world. Graduated taxation, based on equality of sacrifice as between rich and poor, has become a fundamental principle in taxation, and the same principle is embodied in public expenditure on education, hospitals, old-age and invalid pensions, and charities generally. These principles clearly aim at a more equal distribution of the national income, which is recognised as essential to economic welfare, and even to general productive efficiency. There is no question as to why the poor have become poor; the mere fact that they are in need provides justification for assistance. Dr. Hugh Dalton, M.P., applies this directly to differences of resources as between areas, when he says:*

"Diversions, through public expenditure, of economic resources as between different localities will sometimes increase productive power. A distribution of grants from the central exchequer to local authorities in such a way as to stimulate the latter in the efficient performance of their functions will do this."

66. We submit, then, that we have set out a strong claim for financial assistance for presentation to the Commonwealth authorities, resting on the double basis of our financial needs and the disabilities the State suffers from Federal legislation. We have pointed out that these disabilities are incapable of measurement, and that, assuming the legislation to be in the best interests of Australia as a whole, they cannot be removed. We suggest that the financial deficiency is the only possible measure of the extent to which the disabilities have affected the Treasury of the State, and at the same time a measure of the most urgent needs of the Treasury.

* Hugh Dalton: "Principles of Public Finance," p. 165.

67. We would further point out that we have only taken into consideration bare necessities, which amount to £293,000, and, with the present Commonwealth grant of £250,000, make up a sound claim for a total grant from the Commonwealth of £543,000. As we have been anxious to include nothing of a speculative nature, we have omitted provision for other items which sooner or later must be taken into consideration, such as provision for accrued depreciation on the railways, and the provision of an adequate pension scheme for public servants. We have further recommended that you should make a request for a grant of this total for five years, so as to ensure some measure of stability in the finances of the State.

68. We do not suggest that this will solve all the problems with which Tasmania is faced, nor do we consider that it will permanently solve the difficulties of State finance. Conditions are constantly changing, and we would like to see the establishment of machinery which could adapt itself to the changing conditions of the growing federal community. The Royal Commission on the Finances of Western Australia has made a suggestion in its report which is well worth considering, namely, the revival of the Interstate Commission. The Commission's conception of the possible usefulness of this body is somewhat different to that we have in mind; we would like to see such a Commission established with power to advise the Commonwealth Government on the financial needs of States as they arise. As Professor Giblin points out in his memorandum, there is a need for uniformity of principles and practice, and this can be best secured by the appointment of a semi-judicial body able to make continuous investigations. It is hardly within our province to make more than a suggestion in this regard, and we will therefore not enter into details.

69. We feel, however, that we should advise you to make a plea for a more friendly spirit than has characterised claims for financial assistance in the past. There has been a spirit of bargaining, which is not conducive to mutual confidence between the communities making up the Federation. This mutual confidence is essential to the development of a national spirit. The claims of the State have been summarily dismissed without the Government of Tasmania being given an opportunity for the frank discussion necessary for a satisfactory solution of the problems involved. In 1926 the then Prime Minister swept aside the recommendations of Sir Nicholas Lockyer, who had been sent by his Government to investigate the position, and at the same time summarily dis-

claimed any responsibility on the part of the Commonwealth for disabilities suffered by any State. In 1928 two "paper" surpluses were made the occasion for reducing the grant by more than 40 per cent. without adequate discussion, and again last year the amount of £250,000 was arrived at arbitrarily and almost without discussion.

70. We suggest that this method is only conducive to irritation and dissatisfaction. The method of making the needs of the State the shuttlecock of political expediency, and of pruning them to the convenience of the Commonwealth Treasury, is entirely wrong. We are asking for equity, and not charity, and submit that our claim is therefore worthy of being met in a greater spirit of co-operation than that which has characterised negotiations in the past. We firmly believe the claim we have set out to be just and equitable. We invite the most searching criticism, but an arbitrary cutting-down on such pleas as have been used in the past cannot carry conviction, and will only foster the feeling already growing in the community, that the claims of the State are not being treated with the justice they deserve.

J. C. MCPHEE.
CLAUDE JAMES.
J. SOUNDY.
H. H. CUMMINS.
WALTER H. CUMMINS.
P. J. STRUTT.
F. J. BATT.
E. T. MCPHEE.
L. F. GIBLIN.
T. HYTTEN.
W. T. MURPHY.

Hobart, 25th February, 1930.

APPENDIX A.—TABLE 1. PUBLIC FINANCE—TASMANIA.—REVENUE AND EXPENDITURE FROM REVENUE.

Particulars.	Revenue.		Particulars.	Expenditure.	
	1928-29.	Estimated. 1929-30.		1928-29.	Estimated. 1929-30.
Business Undertakings—			Business Undertakings—		
Railways and Tramways	504,554	535,000	Railways	583,126	550,483
Electric Works	320,424	327,000	Electric Works	95,278	104,203
Shipping Department	30,580	11,500	Shipping Department, &c.	47,147	18,400
Total	855,558	873,500	Total	725,551	873,086
Services by other Departments	99,179	97,318	Interest	989,791	1,855,634
Taxation—			Redemption—Sinking Funds, &c.	75,196	84,745
Land Tax	99,383	99,960	Education	325,093	320,798
Income and Dividend Tax	584,665	585,000	Hospitals and Charities	27,444	27,444
Stamp Duty	204,812	204,000	Police	93,009	95,051
Transfer Duty	13,149	13,200	All other charges (including Public Works N.E.L.)	412,388	427,932
Amusement Duty	13,155	13,200	Total Expenditure	2,855,576	2,698,454
Motor Tax	57,792	57,500			
Liquor Traffic Tax	42,543	42,500			
Licences	43,948	45,610			
Total	1,111,532	1,120,760	Year's Surplus .....	...	2,824
Land and Investments—			Year's Deficiency	89,542	...
Land Sales	125,406	272,000			
Land Grants	22,769	20,250			
Land Rental	43,863	43,800			
Miscellaneous	2,709	2,600			
Total	204,437	338,650			
Federal Provisions—					
Financial Agreement	265,351	250,000			
Special Grant	220,000				
All other Sources	9,877	11,050			
Total all Sources	2,766,434	2,691,278			

* Deducted from Interest and Sinking Fund payments.

† Compared with the previous year, this item has been—

(a) Increased by the Interest payable on Trust-managed activities (Sinking Funds, &c.) not previously charged to Revenue Expenditure, and
(b) Decreased by the Commutation of the State Grants which is not regarded as a contribution towards the State liabilities for interest.

APPENDIX A.—TABLE 2. EXPENDITURE FROM CONSOLIDATED REVENUE, 1927-28.—TASMANIA AND OTHER STATES. *Expenditure of Tasmania for the Financial Year 1927-28, as compared with Five Sister States of the Commonwealth for the Same Year.*

Particulars.	Amount.		Per Cent.		Per Capita.	
	Tasmania.		Tasmania.		Tasmania.	
	£	Other Five States.	%	Other Five States.	£ s. d.	Other Five States.
Business Undertakings—						
Railways and Tramways	588,993	41,192,561	20.51	37.05	2 14 6	0 16 10
Electric Works	478,352	386,250	2.73	0.80	0 7 3	0 3 0
Harbours .....	...	785,381	...	0.71	...	0 2 7
Water Supply, &c.	45,579	928,840	...	0.84	0 4 3	0 3 1
Other .....	...	629,468	...	0.57	...	...
Total	712,324	44,352,580	24.83	39.07	3 6 0	7 7 7
Interest	1,043,045	29,723,883	30.35	20.78	5 4 5	4 18 10
Redemption Sinking Funds, &c.	84,239	10,403,435	11.04	9.37	- 1 9 4	1 14 8
Hospitals and Charities	193,043	5,541,489	6.75	4.98	0 47 11	0 38 5
Police	91,645	3,326,319	3.19	3.00	0 8 6	0 11 1
All Other Expenditure	420,502	17,631,349	14.80	15.89	1 10 6	2 38 8
Total	2,807,005	110,979,051	100.00	100.00	13 5 8	18 9 3

APPENDIX A.—TABLE 5.

REVENUE.

Details of Revenue (States and Commonwealth), 1927-28. (Per Head of Population.)

Population, 31.12.27.	N.S.W.	Victoria.	Q. land.	S. Aus.	W. Aus.	Tasmania.	Six States.	Commonwealth.	Total States and C. wealth.
Particulars.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Business Undertakings—									
Post and Telegraph...	9 19 2	7 5 0	8 4 0	7 1 2	10 11 10	2 11 11	8 0 3	1 19 6	1 19 6
Railways and Tramways...	0 0 0	0 0 1	0 0 0	0 0 0	0 12 7	1 6 8	0 0 0	0 1 11	0 1 11
Electric Power Supply...	0 0 0	0 0 2	0 0 0	0 0 0	0 13 7	1 6 8	0 0 0	0 0 0	0 0 0
Harbours...	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
Water Supply and Sewerage...	0 2 5	0 0 7	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
Other Business Undertakings...	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0	0 0 0
TOTAL...	10 10 7	8 12 2	8 10 0	9 15 8	13 16 5	4 1 7	9 12 2	2 1 5	11 13 4
Other Public Services—									
Taxation...	0 11 8	0 3 5	0 4 6	1 0 8	4 1 0	0 8 11	0 13 6	0 4 11	0 18 4
Customs and Excise...	4 9 5	4 2 6	5 10 9	5 5 0	3 0 1	5 5 1	4 11 7	6 13 0	6 13 0
Land Sales and Rentals...	0 10 0	0 4 7	1 11 7	0 10 1	1 2 0	0 10 1	0 12 4	2 8 8	7 0 2
Loans on Investments...	0 0 4	1 0 3	1 7 9	1 8 1	0 3 5	0 9 10	0 12 4	0 0 0	0 10 4
Miscellaneous...	0 5 2	0 5 8	0 2 1	0 2 1	0 3 5	0 1 2	0 4 5	0 0 7	0 10 4
TOTAL DIRECT REVENUE	17 2 2	14 8 7	17 6 8	18 8 0	22 18 10	10 13 1	16 13 0	11 10 10	28 3 4
Transfer Payments—									
States to Commonwealth...	1 6 3	1 5 8	1 5 2	1 6 4	2 1 3	3 1 5	1 8 1	0 15 1	1 8 1
GRAND TOTAL...	18 8 5	15 14 3	18 11 10	19 14 4	25 0 1	13 14 6	18 1 1	12 5 11	30 6 6

Note.—Motor Tax is not included in Revenue of States other than Victoria (18s. 7d.) and Tasmania (4s. 7d.).

(a) Included in other Services. (b) Includes Revenue from Territories. (c) Includes Revenue from Territories. (d) Includes Revenue from Territories.

APPENDIX B.
COST OF GOVERNMENT.
(Per Head of Population.)

1903-4.

	Education.	Hospitals and Charities.	Police.	General Government.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales...	0 12 8	0 6 7	0 6 0	2 8 0	3 13 9
Victoria...	0 10 10	0 4 10	0 4 0	1 10 8	2 10 10
Queensland...	0 12 2	0 5 5	0 6 3	1 4 7	2 8 5
South Australia...	0 8 4	0 5 8	0 4 8	1 14 8	2 18 4
Western Australia...	0 11 10	0 10 10	0 11 2	0 16 5	3 10 3
Tasmania...	0 7 10	0 5 6	0 4 1	1 4 7	2 2 0
All States...	0 11 5	0 6 0	0 5 8	2 11 6	3 14 7

1913-14.

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Tasmania	0 11 1	0 7 0	0 4 0	1 8 2	2 10 3
All States	0 16 5	0 8 6	0 6 2	2 4 0	3 15 1

1923-24.

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
New South Wales...	1 13 0	0 16 9	0 9 10	2 17 7	5 17 2
Victoria...	1 6 4	0 11 0	0 9 9	2 5 9	4 12 10
Queensland...	1 12 6	0 10 11	0 11 5	2 5 11	5 9 9
South Australia...	1 5 5	0 14 4	0 8 5	2 12 5	5 0 7
Western Australia...	1 13 10	0 18 10	0 10 2	3 2 10	6 5 8
Tasmania...	1 4 0	0 13 11	0 7 2	1 11 2	3 17 0
All States...	1 10 1	0 15 5	0 9 10	3 11 5	5 6 0

1924-25.

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Tasmania	1 6 2	0 10 1	0 7 6	1 14 2	4 3 11
All States	1 11 0	0 14 1	0 10 0	2 17 5	5 12 6

1925-26.

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Tasmania	1 7 5	0 16 6	0 7 9	1 18 5	4 10 1
All States	1 11 8	0 14 2	0 10 3	2 15 3	5 11 4

APPENDIX B—continued.
COST OF GOVERNMENT—continued.

1926-27.					
	Education.	Hospitals and Charities.	Police.	General Government.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Tasmania	1 8 0	0 10 1	0 8 3	1 17 9	4 10 7
All States	1 13 10	0 13 3	0 10 6	3 2 11	6 0 6

1927-28.					
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Tasmania	1 9 4	0 17 11	0 8 6	1 19 6	4 15 3
All States	1 14 5	0 18 6	0 11 0	2 18 0	6 1 10

Details for all States in 1927-28 are given in Section VI., Paragraph 23.

APPENDIX C.—TABLE 1.

TAXATION AND TAXABLE CAPACITY.
DIRECT TAXATION PER HEAD OF POPULATION IN EACH OF THE STATES.
Average per Year, Quinquennial Groups, 1895 to 1926.

Period.	N.S.W.	Vic.	Q'land.†	S. Aus.	W. Aus.	Tas.†	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1895-1900	1 18 8	2 8 5	3 11 11	2 11 0	7 7 9	3 5 8	2 12 8
30th June							
1901-1909	0 10 0	0 14 8	0 10 4	0 10 9	0 10 8	0 18 9	0 16 4
1909-1911	0 14 2	0 17 9	1 0 3	1 4 2	1 2 9	1 9 2	0 18 2
1911-1919	1 5 9	1 4 4	1 9 8	1 8 6	1 4 0	1 16 4	1 0 6
1919-1921	2 8 3	1 19 1	3 13 0	2 11 2	1 0 2	2 13 2	2 9 1
1921-1923	3 12 3	2 15 0	4 10 4	3 12 8	3 3 11	4 10 5	3 10 8
1923-1927	5 7 9	3 14 11	5 7 10	4 18 10	3 8 3	5 14 7	4 15 5
1927-1928	5 1 10	4 2 0	5 19 2	6 8 9	3 11 3	5 5 1	4 19 10
1901-1928	2 0 5	1 13 0	2 10 11	2 5 2	1 17 0	2 17 4	2 0 8

NOTE.—Prior to 30.6.26 Motor Tax is included only in those States in which the Tax was paid into Consolidated Revenue. In the two years 1926 to 1928 the figures include Motor Tax in all States.
† Includes: Taxation from Lotteries.

APPENDIX C.—TABLE 2.
SUMMARY OF TOTAL STATE AND COMMONWEALTH TAXATION.
(Per Head of Population.)

Year.	Commonwealth.				Tasmania.	W. Aust.	S. Aus.	Q'land.	Victoria.	N.S.W.	Total Commonwealth and States.
	Customs and Excise.	Other Taxes.	Total.	Total.							
1918-19	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1919-20	3 8 7	3 0 10	6 9 5	6 9 5	3 13 1	2 11 7	3 6 0	4 17 11	2 10 4	3 8 2	8 16 6
1920-21	4 1 4	3 16 5	7 17 9	7 17 9	2 15 1	2 17 9	3 10 10	4 4 6	2 10 4	3 10 8	10 11 9
1921-22	5 0 4	3 16 2	8 16 6	8 16 6	3 6 8	2 17 6	3 10 10	4 4 6	2 11 3	3 8 2	11 10 9
1922-23	5 10 4	3 0 5	8 10 9	8 10 9	3 6 8	2 17 6	3 10 10	4 4 6	2 11 3	3 8 2	11 10 9
1923-24	6 6 8	3 12 6	9 19 11	9 19 11	3 6 8	2 17 6	3 10 10	4 4 6	2 11 3	3 8 2	11 10 9
1924-25	6 6 8	3 12 6	9 19 11	9 19 11	3 6 8	2 17 6	3 10 10	4 4 6	2 11 3	3 8 2	11 10 9
1925-26	6 6 8	3 12 6	9 19 11	9 19 11	3 6 8	2 17 6	3 10 10	4 4 6	2 11 3	3 8 2	11 10 9
1926-27	6 6 8	3 12 6	9 19 11	9 19 11	3 6 8	2 17 6	3 10 10	4 4 6	2 11 3	3 8 2	11 10 9
1927-28	7 2 7	2 10 8	9 13 5	9 13 5	5 14 7	3 4 1	4 10 9	5 10 9	3 4 2	5 1 9	13 13 2

NOTE.—Motor Tax is included in the above table in those States where the tax is paid into Consolidated Revenue.
† Includes from Lotteries.

APPENDIX B—continued.
COST OF GOVERNMENT—continued.

	Education.	Hospitals and Charities.	Police.	General Govern- ment.	Total.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Tasmania	1 8 6	0 16 1	0 8 3	1 17 9	4 10 7
All States	1 13 10	0 13 3	0 10 6	3 2 11	6 0 0

	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Tasmania	1 9 4	0 17 11	0 8 6	1 19 6	4 15 3
All States	1 14 5	0 18 5	0 11 0	2 18 0	6 1 10

Details for all States in 1927-28 are given in Section VI., Paragraph 23.

APPENDIX C.—TABLE 1.

TAXATION AND TAXABLE CAPACITY.
DIRECT TAXATION PER HEAD OF POPULATION IN EACH OF THE STATES.
Average per Year, Quinquennial Groups, 1895 to 1926.

Period.	N.S.W.	Vic.	Q'land.†	S. Aus.	W. Aus.	Tas.†	All States.
1895-1900	£ s. d. 1 18 8	£ s. d. 2 8 5	£ s. d. 3 11 11	£ s. d. 2 11 0	£ s. d. 2 11 0	£ s. d. 3 5 8	£ s. d. 2 12 8
30th June							
1901-1906	0 16 0	0 14 8	0 16 4	0 19 9	0 19 8	0 18 9	0 16 4
1906-1911	0 14 2	0 17 9	1 0 3	1 4 2	1 2 9	1 9 2	0 18 2
1911-1916	1 5 3	1 4 4	1 9 8	1 8 0	1 4 0	1 16 4	1 6 6
1916-1921	2 8 3	1 19 1	3 13 0	2 11 2	2 2 1	2 13 3	2 9 1
1921-1926	3 12 3	2 15 0	4 10 4	3 12 8	3 3 11	4 10 5	3 10 8
1926-1927	5 7 0	3 14 11	5 7 10	4 18 10	3 8 3	5 14 7	4 15 5
1927-1928	5 1 10	4 2 0	5 10 2	6 8 9	3 11 3	5 5 1	4 19 10
1901-1928	2 0 5	1 13 9	2 10 11	2 5 2	1 17 0	2 17 4	2 0 8

NOTE.—Prior to 30.6.26 Motor Tax is included only in those States in which the Tax was paid into Consolidated Revenue. In the two years 1926 to 1928 the figures include Motor Tax in all States.
 † Includes Taxation from Lotteries.

APPENDIX C.—TABLE 2.
SUMMARY OF TOTAL STATE AND COMMONWEALTH TAXATION.
(Per Head of Population.)

Year.	N.S.W.	Victoria.	Q'land.†	S. Aus.	W. Aus.	Tasmania.†	Commonwealth.		
							Customs and Excise.	Other Taxes.	Total. Total Com- monwealth and States.
1918-19	£ s. d. 2 1 8	£ s. d. 1 18 2	£ s. d. 3 18 7	£ s. d. 3 11 10	£ s. d. 2 0 7	£ s. d. 2 15 1	£ s. d. 2 7 4	£ s. d. 3 10 5	£ s. d. 6 9 5
1919-20	2 8 9	2 10 4	4 17 11	3 17 10	2 17 9	2 18 1	3 10 5	3 16 2	7 17 9
1920-21	3 8 2	2 8 11	4 8 10	3 10 10	2 12 7	3 6 7	3 16 2	3 16 2	9 13 9
1921-22	3 11 10	2 11 3	4 4 9	3 10 10	2 17 6	3 6 6	3 16 2	3 16 2	9 13 9
1922-23	3 12 4	2 15 2	4 4 9	3 10 10	2 17 6	3 6 6	3 16 2	3 16 2	9 13 9
1923-24	3 12 0	2 15 2	4 4 9	3 10 10	2 17 6	3 6 6	3 16 2	3 16 2	9 13 9
1924-25	3 12 0	2 15 2	4 4 9	3 10 10	2 17 6	3 6 6	3 16 2	3 16 2	9 13 9
1925-26	3 12 0	2 15 2	4 4 9	3 10 10	2 17 6	3 6 6	3 16 2	3 16 2	9 13 9
1926-27	5 1 10	4 2 0	5 10 2	6 8 9	3 11 3	5 5 1	7 2 7	2 8 6	14 5 2
1927-28	5 1 10	4 2 0	5 10 2	6 8 9	3 11 3	5 5 1	7 2 7	2 8 6	14 5 2

NOTE.—Motor Tax is included in the above table in those States where the tax is paid into Consolidated Revenue.
 † Includes from Lotteries.

APPENDIX C.—TABLE 3.

INDEX OF RELATIVE INCOME-TAX PAYING CAPACITY.

(Omitting Central Office Assessments.)

Year.	N.S.W.	Victoria.	Q'land.	S. Aus.	W. Aus.	Tasmania.	Six States.
1917-18 ..	112	91	105	84	114	49	100
1918-19 ..	100	98	95	95	100	54	100
1919-20 ..	104	111	83	103	89	04	100
1920-21 ..	101	110	79	108	87	59	100
1921-22 ..	98	120	80	103	90	61	100
1922-23 ..	98	123	72	107	84	02	100
1923-24 ..	100	118	78	103	83	04	100
1924-25 ..	109	113	73	99	74	54	100
1925-26 ..	114	110	78	85	71	45	100
1926-27 ..	116	112	72	84	71	46	100

The figure shown for each year is the average for that year and the year before and the year after.

TABLE 4.

DIRECT TAXATION EXPRESSED AS A PERCENTAGE OF THE
VALUE OF PRODUCTION OF THE PREVIOUS YEAR IN
EACH STATE—AVERAGE PER YEAR.

Periods.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	All States.
80th June	%	%	%	%	%	%	%
1902-1910	2.42	2.55	2.04	3.37	1.52	3.37	2.04
1910-1916	2.78	3.25	3.00	3.49	2.30	5.35	3.05
1916-1922	4.06	3.07	0.30	4.27	3.47	6.42	4.57
1922-1928	5.80	4.80	7.40	0.77	4.89	*0.95	5.93

NOTE.—Compiled from Appendix IV. of Royal Commission's Report on Finances of South Australia, 1929.

* Includes from Lotteries 2.74 per cent

APPENDIX D.

LOAN EXPENDITURE.

Some comparisons of the loan expenditure of the various States of the Commonwealth are shown in the following tables. Two facts will be apparent from the figures presented: (a) That Tasmania has been no more extravagant than most of the other States, and (b) that the burden of interest nevertheless is much greater, because (as explained in Section VII.) expectations have not been realised, and there is a greater proportion of the debt unproductive.

TABLE 1.

Comparison of Loan Expenditure in each State of the Commonwealth.

Aggregate Expenditure to 30/6/28. (Per Head of Population.)

Particulars.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	Six States.
	£	£	£	£	£	£	£
Railways and Tramways	50.00	40.85	65.00	54.06	50.77	32.25	53.47
Telegraphs and Telephones....	0.73	..	1.11	..	0.85	0.06	0.52
Water Supply and Sewerage..	14.22	13.02	2.30	24.34	21.42	..	13.23
Electric Power Supply	0.34	7.36	..	..	2.74	10.65	2.94
Harbours, Rivers, and Lighthouses	8.75	0.73	3.05	12.60	14.07	20.47	10.95
Roads and Bridges	3.58	5.07	0.93	5.00	3.25	..	0.34
Defence	0.60	0.09	0.40	..	3.02	7.04	3.01
Public Buildings ..	4.10	3.00	3.08	4.55	1.23	1.00	0.60
Immigration....	0.31	0.01	3.07	..	..	..	..
Mining Development .....	..	0.20	..	..	5.84	..	0.45
Advances to Settlers .....	..	0.58	0.85	12.12	7.03	2.20	1.95
Loans to Public Bodies .....	..	0.65	10.70	5.34	0.20	7.04	2.49
Rabbit-proof Fencing	0.15	0.31	0.43	0.43	0.84	..	0.30
Soldier Settlement Development of	(a)	14.03	2.15	14.57	10.70	10.61	7.36
Agriculture .....	..	..	0.07	3.05	23.84	..	1.80
Agricultural Bank	..	..	0.76	2.51	7.72	..	1.70
Other Works and Purposes	4.15	4.21	14.87	8.80	8.00	0.58	0.49
Closer Settlement	3.07	5.31	..	..	..	1.81	12.73
Water Conservation	5.14	..	..	0.74	..	..	2.88
Total	101.74	97.20	110.93	157.80	177.84	110.65	113.20

[For footnotes see next page.]

APPENDIX D.—TABLE 1—continued.

Particulars.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	Six States.
Directly Reproductive	£ 88·12	£ 83·68	£ 92·14	£ 138·33	£ 154·15	£ 70·97	£ 95·06
Not Directly Reproductive ^(b)	13·62	13·58	24·70	19·47	28·69	45·68	17·54
Total (c) ..	101·74	97·26	116·83	157·80	177·84	116·65	113·20
Percentage (b) of (c)	13·39	13·98	21·20	12·34	15·82	39·16	15·40

(Per Head of Population.)	£	£	£	£	£	£	£
Interest Burden..	4·00	3·97	5·65	7·04	7·70	15·69	4·98
Year 1927-28— Interest on Investments and Profit on Working Business Undertakings	2·94	3·29	2·78	4·08	3·68	1·27	3·12
Balance of Interest to be provided from Taxation or other Sources..	1·15	0·70	2·87	2·96	4·02	4·42	1·86

(a) Particulars are included in other items.

* Includes Sinking Funds in the case of Queensland.

† Includes £0·85 in Trust-managed Loan Expenditure.

Table 2, which follows, shows comparisons of the loan expenditure during the last ten years for Tasmania and the five mainland States. When this is worked out on a population basis, it will be seen that the increase during the last ten years has been about 16 per cent. greater in the other States than in Tasmania.

APPENDIX D.—TABLE 2.

Comparison of Loan Expenditure for the Ten Years 1918-19 to 1927-28 between Tasmania and the Five Mainland States.

Head of Expenditure.	Tasmania.	Five Mainland States.
Business Undertakings—	£	£
Railways and Trams	1,493,092	99,019,006
Electric Power Supply	2,942,261	14,700,980
Water Supply, Conservation .. . . .	..	48,295,371
" " Irrigation .. . . .	..	19,071,722
Harbours, Lighthouses	74,543	..
Other .. . . .	..	..
Total	4,509,896	181,078,079
Loans and Advances—		
Agricultural Bank	217,627	10,550,906
Homes Act	219,585	11,057,400
State Advances, &c.	80,451	16,032,479
Closer Settlement	2,181,752	37,233,280
Returned Soldier Settlement	46,090	..
Loans—Orchardists	3,250	450,187
Carbide Co.	267,514	..
Local Bodies .. . . .	..	11,173,002
Development, Agriculture .. . . .	..	..
Total	3,012,075	87,690,374
Works—		
Roads, Bridges, Ferries	1,499,027†	10,509,956
Buildings—Schools	243,329	7,863,672
" Other	186,601	..
Total	1,934,857	18,433,628
Other Works and Purposes—		
Telegraphs and Telephones .. . . .	..	—928,530
Defence .. . . .	..	—201,014
Immigration .. . . .	..	293,997
Revenue Deficiencies	349,401	..
Mining Development .. . . .	..	2,810,431
Miscellaneous	419,359	21,209,332‡
Total	798,760	23,093,610
Total All Purposes	10,225,498	310,301,691

* Included in Roads, Bridges, &c.

† Includes expenditure on Harbours.

‡ Includes Rabbit-proof Fencing, £1,859,061.

The average increase per year per head of population during the ten years has been therefore as follows:—

	Tasmania.	Five Mainland States.
Business undertakings	2·10	3·19
Loans and advances	1·40	1·54
Works	0·30	0·32
Other purposes	0·36	0·41
All purposes	4·76	5·46

APPENDIX D.—TABLE 4

*Percentage of Aggregate Loan Expenditure up to 30th June, 1928,
Under the Various Headings.*

Per Head of Population.

Year.	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Six States.
	£1000's	£1000's	£1000's	£1000's	£1000's	£1000's	£1000's
1924-25	9,176	8,800	5,014	3,520	4,099	249	50,981
1925-26	11,180	8,001	4,951	3,552	4,070	540	54,303
1926-27	10,122	9,277	3,500	3,813	4,113	390	50,033
1927-28	14,008	8,478	3,100	3,882	4,080	378	55,025
1928-29	16,063	7,128	5,249	4,952	4,872	840	56,133
Average per Year	12,556	8,337	4,002	3,366	4,268	308	54,507

Per Head of Population.							
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1924-25	4 1 5	5 0 2	6 0 1	10 10 9	11 5 2	1 2 3	5 5 1
1925-26	4 7 5	4 15 6	5 16 0	10 10 3	10 15 0	2 0 9	5 14 0
1926-27	4 7 5	4 15 6	5 16 0	10 10 3	10 15 0	2 0 9	5 14 0
1927-28	6 0 8	4 17 4	3 11 2	13 14 0	11 15 7	1 15 2	6 0 8
1928-29	6 11 8	4 1 0	3 10 11	9 10 4	10 15 0	1 15 2	5 14 0
Average per Year	5 8 10	4 17 7	4 11 9	9 10 7	11 8 1	1 14 0	5 13 5
Percentage of States' Average	% 91·5	% 86·1	% 80·9	% 103·1	% 106·8	% 90·0	% 100·0

[illegible]

APPENDIX E.

BUSINESS UNDERTAKINGS.

Comparison of Revenue and Expenditure in Each State (per Head of Population).

REVENUE.

Year.	N.S.W.	Vic.	Q. land.	S. Aus.	W. Aus.	Tas.	Six States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1923-24...	10 4 7	11 10 4	10 10 4	10 10 4	10 10 4	10 10 4	10 10 4
1924-25...	10 4 7	11 10 4	10 10 4	10 10 4	10 10 4	10 10 4	10 10 4
1925-26...	10 4 7	11 10 4	10 10 4	10 10 4	10 10 4	10 10 4	10 10 4
1926-27...	10 4 7	11 10 4	10 10 4	10 10 4	10 10 4	10 10 4	10 10 4
1927-28...	10 4 7	11 10 4	10 10 4	10 10 4	10 10 4	10 10 4	10 10 4
Average...	10 4 7	11 10 4	10 10 4	10 10 4	10 10 4	10 10 4	10 10 4

Expenditure (Working Expenses Only).

Year.	N.S.W.	Vic.	Q. land.	S. Aus.	W. Aus.	Tas.	Six States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1923-24...	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3
1924-25...	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3
1925-26...	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3
1926-27...	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3
1927-28...	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3
Average...	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3	7 7 3

Excess of Revenue Over Working Expenses.

Year.	N.S.W.	Vic.	Q. land.	S. Aus.	W. Aus.	Tas.	Six States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1923-24...	2 6 4	3 3 7	2 6 4	2 6 4	2 6 4	2 6 4	2 6 4
1924-25...	2 6 4	3 3 7	2 6 4	2 6 4	2 6 4	2 6 4	2 6 4
1925-26...	2 6 4	3 3 7	2 6 4	2 6 4	2 6 4	2 6 4	2 6 4
1926-27...	2 6 4	3 3 7	2 6 4	2 6 4	2 6 4	2 6 4	2 6 4
1927-28...	2 6 4	3 3 7	2 6 4	2 6 4	2 6 4	2 6 4	2 6 4
Average per year...	2 6 4	3 3 7	2 6 4	2 6 4	2 6 4	2 6 4	2 6 4
Percentage of States Average...	114.6	90.2	67.0	112.1	109.7	110.0	100.0

APPENDIX F.

POPULATION.

THE following statement was prepared by Mr. E. T. McPhee, Government Statistician:—

Bursary House,
Hobart, 11th February, 1930.

The Hon. the Premier, Tasmania.

LOSS OF MALE POPULATION BY MIGRATION.

SIR,

In view of the insuperable difficulty of getting satisfactory direct evidence of the effects of Federation on Tasmanian affairs, it has been necessary to seek acceptable circumstantial evidence, and the migration figures seem to present a proper medium, because the net migration constitutes a focal point at which the combined results of all economic forces are concentrated. An examination of the migration figures published by the Commonwealth Statistician for each year from 1861 onward has therefore been made, and the results are appended. The investigation has been confined to the movements of males because of their quicker response to altered economic conditions, and because males are larger producers of material wealth and make larger contributions to the public revenues.

The following extract from Sir Nicholas Lockyer's report of the 19th May, 1926, furnishes a suitable preface to what follows, because of the statement that Federal policy has been detrimental to Tasmania, and because of the implication that conditions might have been better had Tasmania "been in a better position to cope with its own local difficulties."

Sir Nicholas Lockyer wrote:

"It appears to be also certain that Tasmania has suffered more than any other State by the direct and indirect influence of Federal policy. The State not only has been unable to share in the remarkable prosperity which has been so marked a feature in regard to Australia generally during the period covered by the Federation, but to an increasing extent each year she lags behind her more fortunate sister States. The most convincing evidence of this is the very regrettable serious annual loss of population. The accumulating effect of these conditions on the finances makes it less possible for the State each year to meet the common requirements of government, and still less to meet what is indispensable for the development of its natural resources. Whilst the present unsatisfactory condition of the State finances is partially due to causes apart from any question of Federal policy, it is quite possible that under more favourable circumstances the excessive loan expenditure and other objectionable features in the State administration would not have been in evidence had the State been in a better position to cope with its own local difficulties."

The accompanying graph, showing the relative force of the net migration of males as it has affected Tasmania and the whole of Australia respectively during the past 68 years, provides very substantial evidence of serious loss to Tasmania which may reasonably be ascribed in some measure to the effects of Federation. The line "A" on the graph indicates the net migration of males for Tasmania per 100,000 of male population; and line "B" indicates similar results for the whole of Australia. The significance of the curve is that during the period of autonomy the migration of Tasmania moved in lines showing characteristics broadly similar to the movement for the Commonwealth, which seems to show that Tasmania was subject to influences similar to those affecting Australia as a whole, and that the reaction to these influences was common to both. In all cases the economic influences at work were throughout this period under some degree of control by the respective State Governments. During the first five years of Federation, however, came the "parting of the ways."

During these first five years the Commonwealth lost slightly, but during the next five years it made a gain, which has been sustained since. On the other hand, Tasmania, taking one year with another in five-year periods, has lost her male population consistently since Federation. During the five years 1900 to 1905 the annual loss was 380 per 100,000 of the male population; from 1905 to 1910 it was 1205 per 100,000; during the three years 1911-1913 it was 549 per 100,000 in males. The war intervened, and destroyed the significance of the records in this regard until practically 1921. During the years 1921-1925 the loss to Tasmania was at the rate of 1443 per 100,000 males per year, and during the sub-

APPENDIX E.

BUSINESS UNDERTAKINGS.

Comparison of Revenue and Expenditure in Each State (per Head of Population).

Revenue.

Year.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	Six States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1923-24...	10 3 4	7 13 8	7 0 2	9 11 3	12 8 11	4 1 5	8 17 5
1924-25...	10 8 7	8 11 10	8 9 0	9 15 5	12 19 4	3 15 3	9 9 6
1925-26...	9 13 6	8 11 4	8 19 4	9 14 0	12 17 4	3 15 4	9 4 11
1926-27...	10 7 1	9 2 5	8 12 7	9 12 9	13 11 4	4 2 0	9 13 5
1927-28...	10 10 7	8 12 2	8 10 0	9 15 8	13 10 5	4 1 7	9 12 2
Average ..	10 4 7	8 10 3	8 6 2	9 13 10	13 2 8	3 19 1	9 7 6

Expenditure (Working Expenses Only).

Year.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	Six States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1923-24...	0 17 4	5 15 2	0 8 3	0 13 9	8 11 5	3 10 3	6 8 11
1924-25...	7 1 2	6 6 11	6 12 6	0 1 7	8 11 5	3 10 0	6 13 0
1925-26...	7 5 6	6 11 0	7 16 1	7 2 1	8 18 0	2 16 1	7 1 6
1926-27...	7 14 2	6 13 9	7 13 8	7 18 7	9 5 1	3 6 10	7 7 7
1927-28...	7 18 2	6 6 7	7 2 1	7 2 2	9 16 10	3 6 0	7 4 10
Average ..	7 7 3	6 6 8	7 2 6	6 19 8	9 0 7	3 4 1	6 19 2

Excess of Revenue Over Working Expenses.

Year.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	Six States.
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
1923-24...	60 0	38 0	11 11	57 6	77 5	11 2	48 6
1924-25...	67 5	44 11	36 6	73 10	87 11	13 9	50 6
1925-26...	48 0	40 4	23 3	51 11	70 4	19 3	43 5
1926-27...	52 11	48 8	18 11	34 2	80 3	15 2	45 10
1927-28...	52 5	45 7	27 11	53 6	79 7	15 7	47 4
Average per year	57 4	43 7	23 8	54 2	82 1	15 0	48 4
Percentage of States' Average ..	%	%	%	%	%	%	%
	118.0	90.2	49.0	112.1	169.7	31.0	100.0

APPENDIX F.

POPULATION.

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Hobart, 11th February, 1930.

The Hon. the Premier, Tasmania.

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Sir,

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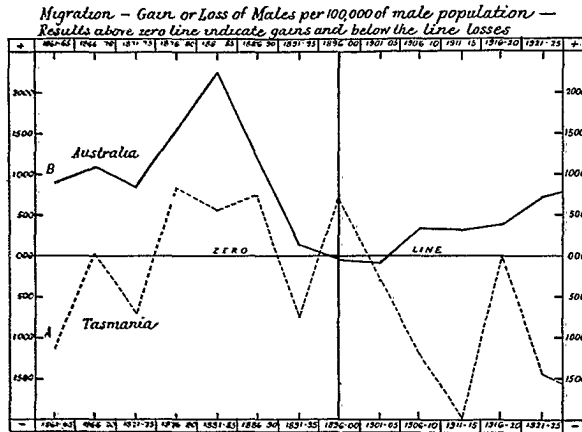
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"It appears to be also certain that Tasmania has suffered more than any other State by the direct and indirect influence of Federal policy. The State not only has been unable to share in the remarkable prosperity which has been so marked a feature in regard to Australia generally during the period covered by the Federation, but to an increasing extent each year she lags behind her more fortunate sister States. The most convincing evidence of this is the very regrettable serious annual loss of population. The accumulating effect of these conditions on the finances makes it less possible for the State each year to meet the common requirements of government, and still less to meet what is indispensable for the development of its natural resources. Whilst the present unsatisfactory condition of the State finances is partially due to causes apart from any question of Federal policy, it is quite possible that under more favourable circumstances the excessive loan expenditure and other objectionable features in the State administration would not have been in evidence had the State been in a better position to cope with its own local difficulties."

The accompanying graph, showing the relative force of the net migration of males as it has affected Tasmania and the whole of Australia respectively during the past 68 years, provides very substantial evidence of serious loss to Tasmania which may reasonably be ascribed in some measure to the effects of Federation. The line "A" on the graph indicates the net migration of males for Tasmania per 100,000 of male population; and line "B" indicates similar results for the whole of Australia. The significance of the curve is that during the period of autonomy the migration of Tasmania moved in lines showing characteristics broadly similar to the movement for the Commonwealth, which seems to show that Tasmania was subject to influences similar to those affecting Australia as a whole, and that the reaction to these influences was common to both. In all cases the economic influences at work were throughout this period under some degree of control by the respective State Governments. During the first five years of Federation, however, came the "parting of the ways."

During these first five years the Commonwealth lost slightly, but during the next five years it made a gain, which has been sustained since. On the other hand, Tasmania, taking one year with another in five-year periods, has lost her male population consistently since Federation. During the five years 1900 to 1905 the annual loss was 389 per 100,000 of the male population; from 1905 to 1910 it was 1205 per 100,000; during the three years 1911-1913 it was 549 per 100,000 males. The war intervened, and destroyed the significance of the records in this regard until practically 1921. During the years 1921-1925 the loss to Tasmania was at the rate of 1443 per 100,000 males per year, and during the sub-



sequent three years 1926-28 the loss continued, the average rate for these three years being 1357 per 100,000. The figures for the two years 1927 and 1928 show a gratifying diminution in this loss of males, but it is not yet possible to assert with confidence whether this is indicative of an actual improvement in Tasmanian conditions or whether it is due to the depression on the mainland. During the 40 years from 1861-1900 the average yearly gain to the male population of Tasmania was at the rate of 83 per 100,000. During the 28 years (1901-1928) since Federation the average annual loss has been at the rate of 1074 per 100,000. During the earlier of these periods the annual gain of males to the whole of Australia was 905 per 100,000, and during the later 28 years it was 437 per 100,000. During the period of 40 years prior to Federation there were periods of loss to Tasmania, but, with the full control of their affairs in their own hands, the administrators were apparently able to counteract unfavourable influences within a reasonable time. During the later 28 years the movement has been persistently unfavourable.

Had the Tasmanian curve of male migration continued to the present time to follow the Commonwealth curve in the pre-Federation relation, the Tasmanian male population would be greater than it is by something over 30,000, representing 28 per cent. of the present male population. In arriving at this figure no account has been taken of the new lives which would have been produced nor of the deaths which would have occurred. Pursuing the enquiry, it was found from the report of the Census of Australia for 1911 that, of the 18,055 native-born Tasmanian males who were living on the mainland, 3231, or 51 per cent., were in Victoria, and 5354, or 30 per cent., in New South Wales. The census of 1921 shows the following results:—Tasmanian-born males living on the mainland, 23,127, of whom 11,781, or 51 per cent., were in Victoria, and 7682, or 33 per cent., were in New South Wales. To say that these people were in Melbourne and Sydney would not involve a very serious misstatement.

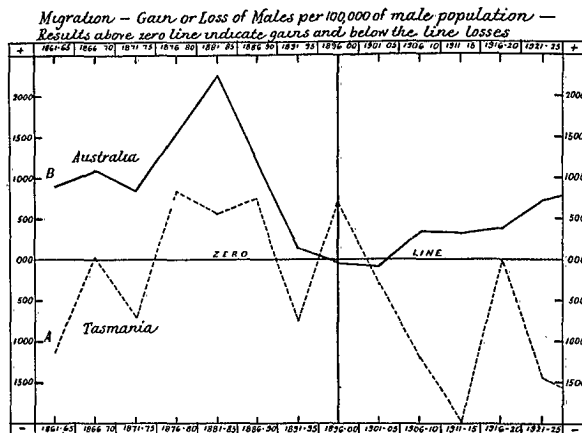
In his presidential address to the Australasian Association for the Advancement of Science at Wellington, in 1923, Chas. H. Wickens, I.S.O., F.I.A., F.S.S., assigned a capital value of £1676 to every male in Australia,* "as at the 30th June, 1915, and in terms of the prices at that date." Taking, however, the very moderate figure of £1500 for each of the 30,000 males lost to Tasmania, the loss of human male capital represents an amount of £45,000,000, and allowing a third

of this for the corresponding loss of females, the total loss to Tasmania of human capital may be set down at £20,000,000. Again quoting Mr. Wickens: "It thus appears that on the basis of the estimates here prepared the human capital of Australia has a value approximately equal to three times the whole of the material capital, both private and public." The loss of material capital by the unfavourable migration would therefore represent £20,000,000.

It is, of course, impossible to say to what extent Federation has been responsible for the matters referred to in this memorandum, but the pronounced divergence in the migration experience of Tasmania from that of the mainland provides strong presumptive evidence of some influence associated with Federation which has been detrimental to Tasmania.

E. T. McPHEE,
Government Statistician for Tasmania.

* "Human Capital," Australasian Association for the Advancement of Science, Vol. XVI, p. 536.



sequent three years 1926-28 the loss continued, the average rate for these three years being 1567 per 100,000. The figures for the two years 1927 and 1928 show a gratifying diminution in this loss of males, but it is not yet possible to assert with confidence whether this is indicative of an actual improvement in Tasmanian conditions or whether it is due to the depression on the mainland. During the 40 years from 1861-1900 the average yearly *gain* to the male population of Tasmania was at the rate of 82 per 100,000. During the 28 years (1901-1928) since Federation the average annual *loss* has been at the rate of 1074 per 100,000. During the earlier of these periods the annual *gain* of males to the whole of Australia was 905 per 100,000, and during the later 28 years it was 487 per 100,000. During the period of 40 years prior to Federation there were periods of loss to Tasmania, but, with the full control of their affairs in their own hands, the administrators were apparently able to counteract unfavourable influences within a reasonable time. During the later 28 years the movement has been persistently unfavourable.

Had the Tasmanian curve of male migration continued to the present time to follow the Commonwealth curve in the pre-Federation relation, the Tasmanian male population would be greater than it is by something over 80,000, representing 28 per cent. of the present male population. In arriving at this figure no account has been taken of the new lives which would have been produced nor of the deaths which would have occurred. Pursuing the enquiry, it was found from the report of the Census of Australia for 1911 that, of the 13,055 native-born Tasmanian males who were living on the mainland, 9251, or 61 per cent., were in Victoria, and 5854, or 30 per cent., in New South Wales. The census of 1921 shows the following results:—Tasmanian-born males living on the mainland, 23,127, of whom 11,781, or 51 per cent., were in Victoria, and 7682, or 33 per cent., were in New South Wales. To say that these people were in Melbourne and Sydney would not involve a very serious misstatement.

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of this for the corresponding loss of females, the total loss to Tasmania of human capital may be set down at £50,000,000. Again quoting Mr. Wickens: "It thus appears that on the basis of the estimates here prepared the human capital of Australia has a value approximately equal to three times the whole of the material capital, both private and public." The loss of material capital by the unfavourable migration would therefore represent £20,000,000.

It is, of course, impossible to say to what extent Federation has been responsible for the matters referred to in this memorandum, but the pronounced divergence in the migration experience of Tasmania from that of the mainland provides strong presumptive evidence of some influence associated with Federation which has been detrimental to Tasmania.

E. T. McPHEE,
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* "Human Capital," Australasian Association for the Advancement of Science, Vol. XVI., p. 536.

APPENDIX F.—TABLE 1.
POPULATION.—INCREASE BY NET MIGRATION 1891 TO 1928.
Persons.

Period.	N.S.W.	Victoria.	Queensland.	S. Australia.	W. Australia.	Tasmania.	Six States.
	No.	No.	No.	No.	No.	No.	No.
1891-1900	20,407	110,480	13,088	15,305	116,197	332	24,870
1901-1910	37,784	50,645	18,103	4,480	52,008	12,904	41,015
1911-1920	131,030	46,800	31,481	12,000	2,827	17,534	205,680
1921	10,013	18,403	7,420	4,413	65	2,006	15,330
1922	10,013	18,403	7,420	4,413	65	2,006	15,330
1923	3,492	16,497	10,780	3,300	2,029	3,212	37,749
1924	12,135	12,078	11,345	4,825	5,283	3,370	37,514
1925	18,365	12,078	11,345	7,030	5,271	4,495	49,370
1926	18,365	12,078	11,345	6,049	3,189	4,029	36,398
1927	21,395	11,292	5,228	2,165	1,012	5,354	41,038
1928	12,880	7,706	5,706	2,184	8,457	1,602	47,003
Total, 1901-1928	255,402	75,202	117,372	43,218	90,848	51,848	533,250

APPENDIX F.—TABLE 2.
INCREASE BY NET IMMIGRATION, 1861 TO 1928
Males.

Period.	N.S.W. (d)	Vict.	Q'land.	S. Aus. (a)	W. Aus.	Tas.	Aus.
1861-1870	26,305	—2,355	44,221	10,028	4,305	—3,310	79,344
1871-1880	08,724	—18,789	40,128	28,889	—259	502	124,195
1881-1890	100,841	71,819	78,581	—14,877	9,112	4,508	244,284
1891-1900	7,817	—72,907	13,185	—9,732	70,396	48	14,715
1901-1910	20,828	—28,571	12,788	—441	28,888	—7,555	80,822
1911-1920	61,033	19,773	16,051	3,657	—5,593	—9,000	88,894
1921	—61	1,470	2,111	3,377	—174	989	7,010
1922	0,092	13,170	5,004	1,718	2,717	—2,443	20,397
1923	3,750	8,400	7,046	4,010	3,080	—1,000	20,008
1924	8,101	7,909	6,103	5,004	3,730	—2,500	28,849
1925	4,897	4,501	8,909	5,994	2,202	—2,105	25,059
1926	10,422	4,208	5,715	5,820	1,439	—5,201	20,231
1927	12,592	5,924	4,162	2,824	6,107	—735	31,220
1928	0,763	—381	4,044	—1,028	6,317	—928	15,705
1861-1928	344,200	10,327	244,184	45,815	141,220	—28,162	709,423

(a) Including Northern Territory up to 1900. (b) Includes Northern Territory and Federal Territory.

(d) Including Federal Territory prior to 1911.

NOTE.—Decrease is shown thus —

APPENDIX G.

MANUFACTURING INDUSTRIES.

TABLE 1.

Factories—Value Added in Process of Manufacture. (Average per Head of Population.)

Year.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	All States.
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
1907	8 16 9	0 3 11	8 6 3	8 17 5	8 13 7	5 18 0	8 14 9
1908	8 15 2	0 0 10	7 5 11	9 3 9	9 0 2	0 7 4	8 13 9
1909	9 4 1	10 0 3	8 14 5	9 8 2	8 17 8	7 7 11	9 5 11
1913	13 1 4	13 8 5	14 0 0	11 19 1	11 3 5	7 15 9	12 17 2
1914	13 0 5	13 15 3	13 18 1	10 19 0	11 0 10	7 11 7	12 16 6
1918-19 ..	16 14 0	18 10 8	14 10 7	14 0 0	9 2 4	11 11 7	10 1 0
1919-20 ..	19 5 8	22 14 11	17 0 7	14 7 8	10 10 0	12 2 2	18 13 7
1920-21 ..	20 12 4	25 2 11	19 2 4	14 16 5	13 11 2	12 19 8	20 8 7
1921-22 ..	21 10 4	28 1 10	19 6 10	17 17 0	14 10 8	12 3 10	23 2 2
1922-23 ..	23 13 11	29 0 10	19 19 1	19 7 4	15 14 8	13 14 4	23 8 3
1923-24 ..	25 3 10	30 1 0	19 15 8	21 6 1	16 2 1	17 2 0	24 11 10
1924-25 ..	26 3 10	29 10 5	21 2 5	21 10 0	17 19 4	15 13 7	25 1 7
1925-26 ..	28 4 2	28 10 7	19 12 0	22 19 0	17 4 4	15 11 4	25 10 5
1926-27 ..	29 15 0	30 18 1	17 0 2	24 2 2	18 12 0	16 14 8	26 12 1
1927-28 ..	29 18 5	30 18 0	18 14 0	23 8 10	19 10 4	17 0 0	26 17 7

TABLE 2.

The Added Value Per Head of Population in each of the Six States shown as a Percentage of the Added Value in the Commonwealth as a Whole.

Period.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	All States.
Average, 1922-23 to 1926-27 ..	% 105.9	% 117.9	% 77.7	% 87.0	% 68.2	% 62.8	% 100
Year 1927-28 ..	111.8	115.0	69.0	87.2	74.3	63.2	100

APPENDIX G.—TABLE 3.

Factories—Number in each State, 1918 to 1927-28.

Year.	N.S.W.	Vic.	Q'land.	S. Aus.	W. Aus.	Tas.	All States.
1918	5414	5027	1778	1285	704	553	15,421
1918-19	5400	5720	1778	1313	764	553	16,588
1919-20	5062	6038	1754	1308	817	652	16,591
1920-21	5837	6532	1795	1438	895	618	17,113
1921-22	6350	6753	1810	1432	980	686	18,023
1922-23	6702	7099	1878	1609	1199	689	19,173
1923-24	7321	7289	1912	1698	1188	781	20,189
1924-25	7906	7425	1890	1711	1188	675	20,706
1925-26	8196	7461	1897	1791	1170	727	21,242
1926-27	8222	7690	1877	1807	1216	767	21,579
1927-28	8302	8245	2118	1800	1308	792	22,775
Percentage Increase since 1918	54.5	40.5	10.2	44.8	83.0	43.2	47.8

APPENDIX H.

(1) SHIPPING SERVICES.

Pre-War and Present Time.

Route.	Pre-War Service.	Present Service (1929).
1. Hobart-Sydney	Weekly	Weekly: April to Sept., passengers and cargo 15 Sept. to 15 April, cargo only; in motor boats
2. Hobart-Melbourne	Weekly: large passenger boats	7-14 days: small cargo boats
3. Hobart-Bluff-Dunedin-Lyttelton-Wellington ..	Weekly	Nil
4. Hobart-Auckland, via Sydney	Weekly	Nil
5. Hobart-West Coast-Melbourne	10-12 days	Monthly: cargo only
6. Hobart from London and South Africa (N.Z.S.S. Co. and S.S. & A. Co.) ..	14 days	Nil
7. Hobart-New Zealand-Monte Video-Rio-London (N.Z.S.S. Co. and S.S. & A. Co.)	14 days	Nil
8. Hobart-British Ports (all Overseas Companies calling for Fruit, &c.) ..	Every few days from February to May	Every few days during fruit season (Feb'y-May). No interstate passenger or cargo
9. Hobart-Continental Ports (N.D.L. Co. and German Australian Line)	Monthly	Nil
10. Launceston-Sydney	Passenger and cargo	Fortnightly: cargo only

APPENDIX H.—(2) SHIPPING FREIGHTS.

Pre-War and Present Time (1929).

Service.	Cargo.	Freights (Direct Ship).			
		Pre-War.	1929.	Increase.	%.
Interstate—		s. d.	s. d.		
Melbourne and principal Tasmanian ports.....	General cargo	13 6	22 0	63	
Sydney and principal Tasmanian ports.....	Apples	0 7½	1 0	60	
	General cargo	13 6	22 0	63	
	Apples	0 7½	1 0	60	
Brisbane and Tasmanian ports.....	General cargo	31 6	43 0	37	
	Apples	1 7½	2 3	38	
Adelaide and Tasmanian ports.....	General cargo	28 0	33 0	18	
Fremantle and Tasmanian ports.....	General cargo	38 0	55 0	45	
Overseas—					
United Kingdom and Hobart and Launceston.....	General cargo	60 - to 65 -	63 0	Nil	
United Kingdom and Hobart and Launceston.....	Wheat (April, May, June)	31/3 to 32,6 (1913)	29 - to 32 -	Nil	

NOTE.—The above rates are: For General Cargo = 1 ton (40 cubic feet), and for Apples = 1 case, by direct ship. The rates for transhipped cargo are higher. From Brisbane to Hobart the transhipping rate per ton = 50s. 6d.

APPENDIX I.

THE EXAMPLE OF CANADA.

DURING the last four years a remarkable parallel case has been established in Canada, and we desire to draw attention to it here, and not less to the equally remarkable recognition of the equities involved, by both the Dominion and the Provincial Governments of Canada in their treatment of the Maritime Provinces. The circumstances of these Canadian Provinces are so similar to those of Tasmania, and the general conditions are so extraordinarily alike, that the conclusions of that Royal Commission, and the action which followed them, are very pertinent to the present issue.

The Maritime Provinces of Canada (Nova Scotia, New Brunswick, and Prince Edward Island) comprise about 2·3 per cent. of the area of the Dominion, excluding Yukon and the North-West Territories. They are the oldest settled and most densely populated of the provinces, and in 1925 they had about 11 per cent. of the population and 6 per cent. of the wealth of the Dominion (Canadian Year Book, 1927-28). They have been steadily losing population to the younger provinces.

In April, 1926, the Dominion Government appointed a Royal Commission to enquire into the claims of the three Maritime Provinces for more equitable treatment. The Commission was composed of Sir Andrew Duncan (Chairman); His Honour W. B. Wallace, a Judge of the Province of Nova Scotia; and Professor Cyrus MacMillan, of McGill University.

The Commission published its report in September, 1926, and stated that, with regard to the provinces, "A review of their provincial operations over a long period suggests frugal expenditure"; and that "their expenditure on roads and bridges has been heavy." The Commission's conclusions on the financial claims are given as follows:—

"On a full consideration of their arguments and their circumstances, we think the Maritime Provinces have made out a case for a revision of the grant from the Dominion in support of their government machinery and activity." (Report, p. 16.)

In the "Case for Tasmania" (1926) prepared before this Canadian Commission was appointed, it was shown (in Appendix 10) that the grants per head of population (revised in 1907, and dating back to the Confederation of 1867) were already much greater for two of the three Maritime Provinces than for the Provinces as a whole. Taking 100 to represent the average in 1922, the grant for Prince Edward Island (the smallest province) represented 305, or three times the average for the whole.

The total grants for the three provinces amounted to 1,710,000 dollars in 1926, and the Royal Commission recommended an addition of 1,600,000 dollars. It recommended, further, that "these interim payments should be continued until the Dominion Government has had time to complete its investigations and reassessment."

The Commission concluded its recommendations on financial arrangements with these words (Report, p. 19):

"We believe it is a sufficient minimum interim payment to ensure that the governments of these provinces will approach any stable settlement of their financial relationships with the Dominion, not in a spirit of meticulous bargaining, but in the broad spirit which arises from a feeling of their being met with sympathy and fairness rather than with narrow compromise. These payments, also, will enable the provinces to undertake the more extensive progress in relation to agriculture, colonisation, education, and other spheres of administration, which they represented to us they were precluded from undertaking now because of the inadequacy of their assistance from the Dominion Government."

Further recommendations were made for reductions in freights, for other assistance to transport, and to the products of the Maritime Provinces, for a geological survey, for technical and agricultural education, and for the encouragement of tourist traffic, most of which required further investigation.

The most significant aspects of this report are:—

- The very great discrimination recommended between the maritime and the other provinces; and
- The recognition of the equitable basis for that discrimination.

The following extracts are taken from the introduction to the report, on the "equity" of the claims by the Maritime Provinces and the general economic position:—

"It is not possible in such an undertaking as the making of Canada, with its geographical and physical conditions, and its variety of settlement and development, to maintain always an accurate balance, apportioning to every section of this extensive country the exact quality of benefit and quantity of advantage which would be theoretically and justly desirable. But reasonable balance is within accomplishment if there be periodic stock-taking. We venture to regard the present occasion as such a period of stock-taking, so that in the future progress of the common great enterprise the prospects of the Maritime Provinces may be brought into line with the prospects of other parts of Canada, and the prospects of the Dominion as a whole."

"Confederation, too, is no longer an experiment. Its achievements in the complicated art of nation-building have brought it to a point of development which more than justifies the hopes and the vision of the early builders. The Maritime Provinces have produced, in every walk of life, men who have played a high part in the story of achievement. We believe that the claims which these provinces have submitted in connection with the present conditions, and the future possibilities, of their part of the Dominion, should now be reviewed with sympathetic consideration and understanding, so that in approaching the future a better balance of territorial prosperity can be assured, and the original hope of Confederation—unity, of Canada—can be made capable of realisation."

Consideration of space precludes us from quoting other extracts with reference to trade and traffic policy, the effects on agriculture and similar industries, and the very important question of sea transport, all of which provide remarkable parallels with the position of Tasmania. We commend the Canadian report to the consideration of the Commonwealth, in complete confidence that it will be found to support every article of our claim.

The result of these recommendations can be gathered from the following extracts from "The Round Table" of June, 1927 (p. 569). The 16th Federal Parliament of Canada met in February, 1927, and took up the matter in its first session. "The Round Table" reports—

"The most important batch of legislation was found in the measures designed to give effect to the recommendations of the Royal Commission appointed to report upon the grievances of the Maritime Provinces

The Government adopted as its policy four-fifths of the recommendations of the report A series of measures which provided for increased Federal subsidies to the three Atlantic provinces, lower freight rates on their railway-lines, the transference of the ports of Halifax and St. John to the control of harbour commissions, financial assistance to coking plants, whose object is to make possible an increased use of Nova Scotia coal, and other lesser boons, were passed through Parliament with very little opposition."

The Royal Commission had recommended additional grants totalling 1,600,000 dollars. These were provided by the Appropriation Act No. 6, 1926-27, Schedule C, "pending consideration of provincial subsidies." (17 Geo. V., Chap. 76, Vote 526—Statutes of Canada, 1926-27, Part 1, at page 393.)

The existing grants were almost doubled by this legislation, but these additional grants were doubtless of much less permanent importance than other assistance given.

For example, the Maritime Freights Act, 1927, after stating that commercial considerations should be subordinated to national, imperial, and strategic conditions, and that "the cost of the railways should be borne by the Dominion, and not by the traffic which might pass over the line," provided that local, Canadian and export freight should be reduced by 20 per cent. The Act also provided that, where private railway companies were concerned, the Board of Railway Commissioners should ascertain the losses incurred through such reductions, and that the amount should be submitted to Parliament in the ordinary estimates each year. (See the same volume of Statutes, Chap. 44.)

These, however, were not the only important results. The Journal of the Parliaments of the Empire, April, 1928, reports, on page 352, the following statement from the Governor-General's speech at the opening of the second session of the Canadian Parliament, in January, 1928:

"Dominion-Provincial Conference.—A conference had been convened in Ottawa in November between the Dominion Government and the Governments of the Provinces, which had proved of the utmost value in facilitating a full and free exchange of views on problems of mutual interest. As a result of the conference, his advisers had decided, pending a revision of the financial arrangements, to recommend the continuance to the Maritime Provinces of the money grants made at the last session."

APPENDIX J.

STATE DISABILITIES—WITH SPECIAL REFERENCE TO TASMANIA.

A MEMORANDUM SUBMITTED TO THE COMMITTEE OF PUBLIC ACCOUNTS AS EVIDENCE OF TASMANIAN DISABILITIES.

By L. F. GIBLIN, Ritchie Professor of Economics in the University of Melbourne.

THE finances of States in a federation always tend to raise difficult problems. I may refer to my paper entitled "Federation and Finance" (copy attached) for a brief discussion of the general question and some application to Australia. The conditions which make these problems particularly acute in Australia are—

- (1) Great diversity of the States in size, population, natural resources, and state of development.
- (2) A very large proportion of the more expensive government functions being the responsibility of the States and not of the Commonwealth.

2. The small number of States in Australia (compared, e.g., with U.S.A.) makes the contrasts more glaring. The fact that Australia as a whole (unlike the U.S.A.) has at present, and prospectively, no large surplus of prosperity above the basic standard of living makes the solution of these problems more difficult.

3. I do not think that, so far as direct financial relations between the States and Commonwealth are concerned, from the strict Treasury point of view, Tasmania is under any hardship. There is considerable Commonwealth expenditure in which Tasmania is not interested; but these additional liabilities are fully balanced by the incidence of Federal direct taxation, which takes much less from Tasmania in proportion to population than from any of the other States. This was the conclusion reached in the report on Tasmanian disabilities, 1925, and the position is substantially the same to-day. There is, however, much Commonwealth expenditure in which Tasmania is interested enough, but which has been carried out on a more lavish scale than Tasmania on her own resources could have attempted. This consideration makes the strict accountancy position of no great significance. One aspect of this heavy Commonwealth expenditure is discussed in some detail in Paragraphs 25 to 27 below.

4. The hardship to Tasmania comes chiefly from the economic effects of Federation and Federal policy. The high protective tariff is an almost unmitigated burden to Tasmania, with very little compensating benefit. It increases costs in the export industries by something like 10 per cent., but causes very little protected industry to be established in Tasmania. The effect is probably to add something like £400,000 to the cost of producing overseas exports (minerals, wool, fruit, and fruit products, &c.), without any addition to the prices received. There is, therefore, so much less income of a very taxable kind, and, in addition, the further serious loss of income from the production which is made impossible by the increase in costs.

5. The position, however, is complicated by the effects of interstate free trade, which has made possible, under a common Australian tariff, certain manufacturing production for general Australian consumption—confectionery and some woollen goods principally. This benefit, however, is offset by the decline of the older Tasmanian manufacturing industry in competition with larger scale production in other States. (See "The Case for Tasmania," 1926, Section 34.) But the more important effect of interstate free trade has been to throw open (or keep open) the mainland market for Tasmanian primary products. This market is quite essential to Tasmanian production. Moreover, it is possible that this market has been somewhat increased by the effects of the protective tariff, which appears to have made a rather larger population possible in Australia than would have been possible at the same standard of living under free trade. ("The Australian Tariff" Section 146.) This, however, is a secondary matter, and controversial. The important fact is the free market for primary produce, and this is some compensation for the heavy burden of the tariff. The net effect, however, cannot be estimated.

6. Similar, but less important, disadvantages to Tasmania may be ascribed to the Navigation Act and the Federal Arbitration Act. Here, however, as with tariff policy, but in a much greater degree, it becomes difficult to separate the effects of Federation and Federal policy from the natural results of the general progress of industry and production in a small country like Tasmania, in close proximity to Australia and isolated from the rest of the world. Wages and salaries, and therefore the net costs of export production, are raised by the operation of Federal arbitration; but it is possible that this rise only anticipated a movement which would have had to come in any case from proximity to Australia, under pain of an increased loss of population to the mainland. The marked rise in real wages—i.e., in the purchasing power of wages—occurred before the war, and was the result, not of any Arbitration Court judgements, but of improved organization of the wage-earner under mainland stimulus, with consequent greater bargaining power. So, also, the rise in coastal freights, which bears with very especial severity on Tasmanian production, may be largely an inevitable consequence of world shipping conditions, in which the Navigation Act has played but a small part.

7. I do not think the net economic effects of Federation can be estimated directly with sufficient accuracy for practical purposes. But if they could be, they still could not be translated into terms of a subsidy from the Commonwealth to Tasmania.

8. Consider, for example, the economic effects of the tariff, and for an illustration suppose that Tasmania, in the last resort, pays a certain sum in excess price of sugar—say £100,000—in order to protect sugar-growing in Queensland from outside competition. There will be three main effects, which can here be stated only very summarily:—

- Incomes in Tasmania will be diminished in effect by something like £100,000. Without protection of sugar, the State Treasury would benefit, not by £100,000, or anything like it, but by what it could take by taxation out of £100,000 of additional income very widely distributed, but chiefly in the convenient form of rents and profits.
- The expenditure of this £100,000 of additional income would support more population, mostly in Tasmania, but some in other States, and some abroad (through overseas imports). The additional population in Tasmania would be some advantage to the Treasury, because it spreads over more heads the overhead costs of Government. But the net gain to Treasury would still be small in comparison with the economic gain to the State.
- Most of this excess cost of sugar, £100,000, falls on the costs of production, and is passed on to unsheltered production, which for Tasmania is, in the main, production for overseas export, which is subject to world's prices. It therefore prevents or destroys production, which would have been possible without protection, and diminishes population by the number which would have been supported, both directly and indirectly, by this export production. There is, therefore, a further loss of population in Tasmania due to the protection of sugar in Queensland, and some consequent net loss to the Treasury because the overhead costs of government do not increase with population.

9. The loss in Tasmania is not, however, precisely gain to Queensland. If sugar production to its present extent were possible without protection, then the excess price due to protection would be a clear addition to Queensland incomes (£100,000 assumed in respect to Tasmanian consumption), and the Queensland Treasury would benefit in due proportion. But if, as is generally the case in the more costly forms of protection, production could not take place at all without an excess price, then the only gain to Queensland is in the increased production, and the increased population directly and indirectly dependent on it. As before, this increased population will lighten the burden of the overhead costs of government, but probably only to a small extent in comparison with the total subsidies paid by the consumer in Tasmania for the protection of sugar.

10. There is economic justification for protection when the new production and population due to the protected industry are greater than the loss of production and population in the unsheltered industries. This is probably not true of sugar, for the protection of which justification must rest on other non-economic considerations. But even where it is true, as probably in most (not all) manufacturing industries, the policy may still bear hardly on the States which pay the cost without receiving much benefit.

11. The loss to the Tasmanian Treasury under (a), (b), and (c) above (Para. 8) cannot be estimated even approximately without introducing much controversial matter. But it is possible to explore the possibilities a little more closely than in the general argument above. The following paragraphs (12 to 16) give very briefly a speculative attempt to go as far as possible in estimating this loss. They attempt to give summarily the results of applying the methods and arguments of "The Australian Tariff" to the special case of Tasmania, and can hardly be intelligible to anyone not familiar with these methods and arguments. They use also further conclusions about population which have not yet been published, and cannot be said to be accepted fully by economists. These sections are designed chiefly to bring out in greater detail the impossibility of a satisfactory measure of the effects of, e.g., tariff policy on States and State Treasuries. The general argument can be picked up conveniently with Paragraph 17.

12. The total crude excess costs imposed by the policy of protection as compared with a strictly revenue tariff are estimated in "The Australian Tariff" (p. 45) at £36 m. for all Australia. This may be taken as a fair rough estimate. The proportion falling on Tasmanian consumption would be £1.2 m. on a population basis. But consumption must be in proportion to income, and income per head in Tasmania is less than the average—probably about 15 per cent. less ("The Economic Record," November, 1929, p. 344). This would reduce the amount falling in the first instance on Tasmania to about £1 m. But these excess costs are passed on by sheltered industry, and in the course of interstate trade overpass State boundaries. In the case of Tasmania this process ends in some relief, because exports from Tasmania include more sheltered goods—particularly potatoes, fruit, and other farm products—than do the imports, so that more excess costs of protection are passed on by the Tasmanian to the mainland consumer than are passed on by the other way. There is also some small part falling on protected industry in Tasmania, which is more than met by the subsidies given through the tariff. I estimate very roughly that this brings down the total of excess costs resting finally with Tasmania to about £800,000, and, further, that this is made up of about £400,000 falling on the costs of export production, and about £400,000 which does not fall on costs of production but falls on fixed incomes, and on the expenditure by all incomes on protected luxuries, or "sticks" in process of being passed on by sheltered industry, or is met by State assistance to primary production.

There is, therefore, a loss of income of perhaps £800,000. How much would this be worth to the Treasury? Some of it would not pay income tax at all, because even exempt incomes are spent, to some extent, on imported luxuries. But most of it would be additional to incomes paying tax, and so, with a graduated scale, much of it would pay at well above the average rate. For a rough estimate, we may assume that the whole £800,000 would at least pay income tax at the average Tasmanian rate, which is 6d. in the £ on gross taxable incomes. The Treasury, then, loses about £20,000 per annum directly by the loss of this income. Without the tariff, it could save also some at least of the considerable amount which goes in assistance to primary production, chiefly indirectly, e.g., through low railway fares, which make the railway unpayable. The increased costs of production due to the tariff exercise a growing pressure for more and more assistance of this nature.

13. Further, there is the loss of population dependent on the expenditure of this income. If £85 is taken as the average income per head for Tasmania (compared with £100 per head for the Commonwealth), then I estimate under Tasmanian conditions there could be a population of one directly and indirectly in all degrees dependent on an excess of £85 of income spent. There would, therefore, be a population of nearly 10,000 lost, if the loss of income may be put tentatively at about £800,000.*

14. What would this population be worth to the Treasury? An answer to this question might be attempted, but it is a difficult one. We cannot simply take the Government expenditure per head, omitting interest, and subtract it from the revenue per head to get the net gain, because of the overhead element in all expenditure. Tasmanian railways give no surplus of receipts over working expenses at present. But with an additional 10,000 of population engaged in production, receipts would increase more than expenses, and there would be some margin of profit. But it is impossible to say how much. It would depend on how the additional population was placed. If it went on to new land requiring more railway or road construction, new schools, hospitals, &c., it might result in net loss to the Treasury. If it was using more fully existing communications, the gain might be

* Half Tasmanian consumption is of goods imported or exportable. The other half furnishes a market for increased local production of goods and services. A population of 64 therefore makes a local market for the average income; the consumption of these £2 for another 32, for another 32, for another 32, and so on, until an additional 64 is in the end made up. This is the possibility. The actuality depends on the supply of land of average fertility, which may be safely assumed for moderate numbers, and on the necessary capital being available.

considerable. Expert investigation would be required in any case, but without knowledge of the location and occupation of the new population, it is impossible for anyone to answer the question. Apart from the saving in the overhead costs of business undertakings and administration, the gain to the Treasury from increased population would have been about the amount of the per capita payments, or 25s. per head.

15. In this case—(b) of Paragraph 8—we can make a reasonable, though rough, calculation of the population lost, though we cannot estimate their value to the State. In the case of (c) we cannot even estimate the loss of population. It has been estimated in "The Australian Tariff" (Sect. 123) that for all Australia the costs of production in the export industries would be 8 per cent. lower without the tariff. How much production is made impossible in Tasmania by these higher costs? How much more wool would be grown with costs 8 per cent. lower, how many more apples and blue peas? How much more fur would be taken? How much more copper and zinc, and silver and lead and osmiridium, would be mined? After careful investigation these questions might be answered, but we are very far from having data sufficient for even a rough guess. I will hazard a rough judgement that the amount is very unlikely to exceed 25 per cent. of present export production of about £4 m.; i.e., the new production possible without the tariff in Tasmania would be very unlikely to be over £1 m.; but it might be anything up to that amount.

16. If we knew the value of the alternative production, we could turn it into population with rough accuracy, by allowing one person directly producing for every £25 of net production, and, as before, one person for every £35 of income spent. (£1 m. of new export production would then give about 24,000 of new population, and that I regard as the outside limit of possibility.) But we shall, as before, be quite unable to say what effect the additional population would have on State finances. But, putting the limit of possibility of 24,000 of additional population under (c) with the much more certain 10,000 of Paragraph 13 above, it is clear that a possible addition of 34,000, or one-sixth of the present population, might easily make a decided difference in the finances of Government. Such an increase would add directly £340,000 to the State revenue, though it is not possible to estimate what increase of expenditure would be involved. There would be roughly no increase of interest, nor of the overhead cost of government. There would be in the same way be a saving in the overhead costs of private business, and greater prosperity and taxable capacity in the old population, so that we should have another and still more incalculable benefit to take into account.

17. I hope that it is clear from the above discussion that it is not practically possible to estimate directly the economic cost of tariff policy to Tasmania, and still less possible to translate the cost into the terms of a loss to the State Treasury. The same is true of the Navigation Act and the Arbitration Court and other Federal activities which have borne heavily on Tasmania. In the case of the tariff, the previous discussion has shown that the cost to Tasmania is serious, loss to the Treasury is at least considerable and may be very large. But it is not possible to measure this loss directly with any confidence. The same is true of other disabilities due to Federation—a direct measure is not possible. But it is not at all impossible to find indirect measures which will give a satisfactory summing up of the total effects, taking into account both the benefits and the burdens involved in Federation.

18. Such an indirect measure of the Tasmanian disabilities may be obtained from an examination of the prosperity of the State as indicated by private wealth or income, or taxable capacity—all reckoned per head, and compared with the Australian average. In respect to the State Treasury, a measure of the net accounts, considered in reference to the economy of administration, the severity of taxation, and the record of loan expenditure.

19. It may be objected that such measures take into account the natural resources of the State, as well as the effects of Federation. To this I would reply that they cannot practically be separated, and ought not to be separated. It is a quite untenable position that the Federation can wash its hands of all responsibility for the effects of natural resources on the prosperity of a State.

20. There is inevitably a very considerable diversity in the natural resources of States, which were mapped out, not for economic equality, but for convenience of administration in early times. Consider the position of a State which at any time finds its resources give an approximately lower level of wealth and income,

particularly of surplus or taxable income, than its neighbours. In an independent position, it would attempt to cut its cost according to its cloth, reduce its consumption, and with it all wages, salaries, and profits, and generally accept a lower standard of living all round. In particular, the social provisions of the government, which now make a very large part of all public expenditure, would have to be drastically reduced. In hospitals and pensions and charitable provisions of all kinds, in education and the encouragement of art and science, in the keeping of historical and statistical records, and in all the other numerous conveniences now counted necessities, provided by many different departments of government—in all these the government would have to fall seriously below its old standard and the standard of its neighbours. These services would have to be sacrificed, though in the long run they mostly have an economic side and lead to greater productivity. In this category may be added all the aid direct and indirect to production and commerce provided by government, the technical services in training and research for agriculture and mining and other forms of production, geological and topographical surveys, and the general statistical service. The instant necessity would compel the curtailment of these services, however valuable economically they might be in the long run. It would be deplorable—a decline in civilization—but it would be the only honest course, and it could be attempted by an independent State.

21. This remedy is not open to a State of the Australian Commonwealth. Sometimes legally, sometimes morally, always inevitably, it is bound either to conform to the general standard, or at least not fall seriously below it. Many of these social provisions, particularly pensions, are a Federal function, and the people of every State, under whatever economic stringency, must pay their due share of the cost. The wage-level is directly or indirectly determined by the general Australian standard; salaries, profits, and the general standard of consumption follow the wage-level. There is no escape. Suppose that a State reached the position that it could only use its resources profitably, so as to pay its way, by the use of indentured or slave coloured labour, as Queensland did with the sugar, and South Australia very nearly did in the Northern Territory. The Commonwealth promptly avails this, which we have assumed to be the only possible method for the State to pay its way. And it must take responsibility for so doing. In the case of Queensland sugar, it took responsibility without question, and, by fixing the price of sugar and forbidding imports, provides an annual subsidy of £5 m. to the sugar-growers of Queensland at the expense of the consumers of the whole Commonwealth. This is a matter of natural resources. It appears that the sugar-growing resources of Queensland are so poor that it cannot produce raw sugar except at a price more than double of world's parity. Federal policy, by imposing a wage standard and increasing costs through the tariff, had a large share in making sugar-growing in Queensland so unprofitable. But natural resources had a large share also. In the early years of Federation, even sugar grown by indentured labour received, and presumably required, heavy protection. The total net result of Federal policy and natural resources is taken into account now by the Commonwealth in fixing the price of sugar.

22. To a smaller degree, but over a much wider field, the same thing is happening in Tasmania. Her resources in relation to present-day supply and demand are such that she cannot use them profitably at the Australian wage standard with the costs of tariff policy added. The margin of disability is small compared with that of the Queensland sugar-grower, but the wider field makes the total result even more serious in proportion to the total income of the State. It seems probable that Federal policy had at least as large a share as in Queensland in creating the economic disability. As with Queensland sugar, the only equitable course is to take account of the net economic disability resulting from all causes.

23. The difference between Queensland and Tasmania is, that in Queensland the economic disability was concentrated in one industry, and was so glaring that no one could fail to see it; whereas in Tasmania it is diffused over a wide range of industry and production, and is not likely to be appreciated, except by the careful student, although the total effect is, in proportion to wealth, as important for Tasmania as for Queensland. A further difference is, that the total economic disability in Queensland has been fully met by the price fixed for sugar. For Tasmania it is not asked that the economic disability should be fully remedied—only that the resulting loss to the State Treasury—a much smaller matter—should be made up.

24. I conclude, therefore, that the Commonwealth does not, and cannot, avoid responsibility for the natural resources of States. I do not suggest that the State has the right to expect the prosperity of the richest State, irrespective of natural

resources, but I think it is abundantly clear that natural resources must be taken into account by the Commonwealth in making grants under Section 96 of the Constitution, or in giving relief in any way to States in economic or financial difficulties.

25. There is one outstanding instance of expenditure being forced on Tasmania beyond her capacity to pay, and that is, war expenditure and the interest payable thereon. It is the inclusion of this item which makes it appear that more is paid to, and on account of, Tasmania by the Commonwealth Treasury than is collected as revenue from Tasmania. It must be recognised that Tasmania standing alone could not have made the same kind of war effort which she made as part of the Commonwealth. There might have been exactly the same contribution of men, and the losses in life and health precisely the same, but pay and other maintenance would have had to be on a less generous scale, and a much larger proportion of the expense borne by the Imperial Government. A comparison may be made with Newfoundland, which has to pay less than £1 per head per annum for interest on war debt, while the Dominion of Canada has about £3 per head per annum to pay.

26. This is only one example, but the outstanding one, of Federal expenditure being on a more lavish scale than an independent Tasmania could have afforded, and in every case Tasmania must pay her share. It is true that, on account of lower taxable capacity (see Para. 31, below), Tasmania pays considerably less per head in Federal income tax than any other State. But much the greater part—nearly four-fifths—of Commonwealth revenue is derived, not from direct taxation which adjusts itself to taxable capacity, but from Customs and Excise taxation, for which the Tasmanian payments per head are probably not very different from the Australian average. Tasmania, therefore, pays a large proportion of the full cost per head of net expenditure, while as an independent State she would probably not have been able to incur half the expense. To put it in figures, Tasmania's share of war expenditure on a population basis costs about £1,000,000 per annum, of which she actually pays about £500,000; but, as an independent State, her wealth and resources would have limited her to a contribution, no less in men, but in money costing now (say) £500,000 per annum. So that she is now paying some such sum as £300,000 per annum above the amount which she would have been justified in incurring as an independent State. The contribution suggested above, at half the Australian scale per head, would not have been unreasonable, seeing that the capacity of Tasmania for direct taxation was per head little more than half the Australian average, and is even less to-day (Para. 34).

27. I am, however, less concerned here with the accuracy of the suggested figures for war expenditure, than with the general principle. Such a loading of a State, by Federal action, with liabilities beyond its means must clearly be taken account of in considering the case for a special grant, and the crucial question is: What are its means? What is its prosperity; what are its wealth and income in comparison with the Australian average? If they are substantially less, it does not greatly matter to determine exactly how much the difference is due to Federation and to Federal action, and how much to other more general causes. It is impossible, as we have seen, to separate out the causes, and it is unnecessary. If the fact of a steady lower level of material prosperity is established, the fact must be faced, and allowance made for it in the financial relations of the Commonwealth and that State.

28. We ought, then, to estimate as nearly as possible the difference in material prosperity between Tasmania and the average of the Commonwealth, and, if it is from Treasury to Treasury, and what the amount of that grant should be.

29. The best test of material prosperity is income in relation to the purchasing power of the money unit. There has been no very great difference in purchasing power in different States, and, as it happens, purchasing power in Tasmania, or, conversely, the level of prices, has been for many years very close to the Australian average, so that we can simply compare income (or taxation or expenditure) in Tasmania with the Australian average, without making any allowance for difference in purchasing power.

30. The income about which there is most accurate information, and which is the most important for our purpose, is the income assessed to income tax. For State income tax there are no comparable figures of income available, and the assessments and rates of tax, &c., are so different in different States that tax is a uniform tax, administered uniformly in all States, and the results give us most valuable information. It is true that the actual figures for income in States have not been published regularly in a form suitable for comparison in different years. But the figures for tax assessed in any year are available since

the beginning of the tax in 1915, and those, divided by the populations, give us the amount of the uniform tax paid per head of population in each State. So we get an exact measure of the relative capacity of the States to pay Federal income tax, or any graduated income tax of the same type, such as are the State income taxes of Australia.*

31. The last available figures are for the assessments made in the year 1923-24 of the incomes of the year 1927-28. Below is set out the amount of Federal tax assessed per head of population in each State for that year, and in the last column numbers proportional to these amounts when the average of the whole Commonwealth is taken as 100.

FEDERAL INCOME TAX ASSESSMENTS PER HEAD ON INCOME OF THE
YEAR 1927-28.

(Excluding Central Office Assessments.)

	Tax Per Head.	Index.
	s. d.	
New South Wales	22 10	115
Victoria	22 0	110
Queensland	14 0	70
South Australia	16 10	84
Western Australia	16 3	81
Tasmania	10 9	54
Six States	19 11	100

32. The outstanding feature is, that for Tasmania the uniform tax uniformly administered produces less than half as much revenue in proportion to population as in Victoria or New South Wales, and only just over half as much as the average for the whole Commonwealth. In other words, if the States had all to raise a certain revenue from taxation, say £4 per head of population, Tasmania would have to impose rates twice as high as the average of the six States—is, in the £ instead of 6d., 2s. instead of 1s., and so on. Three other States have some of the same handicaps compared with Victoria and New South Wales, but in a much smaller degree.

33. A fuller discussion of these figures, and full results up to date, will be found in "The Taxable Capacity of Australian States, Hobart, 1925," and in "The Economic Record" (November, 1929, pp. 339 to 345). (A copy of the last-named paper is attached as Appendix B.) One point only need be mentioned here. The figures for any one year are liable to fluctuation on account of bad seasons affecting one State more than another; and also because assessments of income are not always completed in the financial year, and the balance is then included in the next year's total, diminishing the one below the correct figure and swelling the other by the same amount. For this reason it is advisable to take the average of three or four years as a basis for practical conclusions. As the actual amounts of tax per head vary greatly in different years from alterations of rates, exemptions, and methods of assessment, they must be reduced to some common measure before averaging, and this is done by reckoning the average for Australia in every year as 100, and calculating the proportionate number for each State. These numbers, given in the last column of the above table (Para. 31), may be called the Index of Relative Taxable Capacity. The number 54 against Tasmania means, therefore, that the tax produces in Tasmania only 54 per cent. of the average, or 46 per cent. below the average, while in Victoria it produces 110, or 10 per cent. above the average.

34. These indexes can then be added, and averaged for different years. A graph in the paper attached (Appendix B, p. 343) shows the trend in all States since 1916. I will give here the average for the last four years and for the 14 years since the tax began, and repeat for comparison the index for the last year available.

* The Victorian tax is a partial exception, but the difference is not great, and is being reduced at every revision.

RELATIVE TAXABLE CAPACITY.

	Income, Year 1927-28.	Last Four Years.	Last 14 Years.
New South Wales	115	114	106
Victoria	110	110	108
Queensland	70	76	88
South Australia	84	85	92
Western Australia	81	74	93
Tasmania	54	47	56
Six States	100	100	100

35. It will be seen that, taken over the whole period, none of the States departs seriously from the general level except Tasmania, which has averaged little over half the taxable capacity of the Commonwealth. The other States have had ups and downs relative to the prosperity of Australia as a whole, and the figures for the last four years show that Western Australia, South Australia, and Queensland have all had a relative setback in prosperity. But only in the case of Tasmania is there evidence of a steady and persistent deficiency of income.

36. A persistent deficiency in taxable income is in itself the most valid and convincing evidence of the need for Federal assistance, and between States is a fair measure of the relative need for it. This is not an academic theory; it is an old-established principle which has been the basis of many practical measures. Taxable capacity was the chief determinant in the financial settlement between Great Britain and Northern Ireland. It plays a great part in the British basis of local government grants as settled by the Local Government Act, 1929. British Local Government, with its responsibility for education, roads, poor relief, and police, has functions not very different from those of Australian State Governments. The new system of Government grants is not in proportion to population, but takes account of rateable capacity and other factors. These other factors—unemployment and proportion of young children—would be fairly uniform in Australian States, and the chief determinant in the British system applied to Australia would be rateable capacity—which is, in effect, taxable capacity. The effect in England is to give a county in financial difficulties, like Durham, more than four times the grant it would receive on a population basis, though there is no suggestion that the financial difficulties of Durham are in any respect due to the policy of the Central Government.*

37. Taxable capacity, then, gives a reasonable measure of comparative assistance required, but not of the absolute amount. A shortage of taxable income can be only approximately turned into a measure of shortage of total national income, and of the economic state of the community. In the "Economic Record" for November, 1929, page 244 (see Appendix B), I have attempted a rough measure of income based on taxable capacity and the official average wage-index in the different States. The result gives Tasmania an income per head 15 per cent. below the average, whereas the greatest deficiency for any other State is 6 per cent. for Western Australia. The deficiency for Tasmania amounts to £3 m. in a total national income of £17 m. This additional income spent by the present population would support directly and indirectly some 30,000 additional population in Tasmania, taking now the average income as equal to the Australian average of about £100 (see Para. 13). The new population would have an income of £32 m., so that there would be a total of £35 m. new income in Tasmania to be added to the present £17 m. if Tasmania could be brought to the average Australian prosperity. Such an increase of income—over one-third—would obviously have very far reaching effects on the State's finances, and the lack of it fully accounts for the State's difficulty in paying its way.

38. I conclude, therefore, that there is unassailable evidence that the State, from a combination of all causes, has a deficiency of prosperity, as measured by income, manifest steadily over a long period of years under Federal conditions; and that this permanent deficiency of income is so great that it is impossible for the State to keep up to the Australian standard of material civilisation without substantial help.

39. There is, of course, no question of bringing Tasmania up to the Australian level of prosperity by direct help from the Commonwealth. Even if the deficiency was entirely due to Federation and Federal policy it could not be directly remedied

* See the British Local Government Act, 1929, and Command Paper 3134. A good summary is given by Plummer in "Quarterly Journal of Economics," August, 1929, pp. 607-712.

without destroying Federation or reversing Federal policy, which must be presumed to have been deliberately adopted by Parliament in the interests of Australia as a whole. Tasmania, in any case, must continue to put up with a lower income and a lower standard of consumption, and therefore of comfort. Wages cannot depart much from the Australian standard, and most salaries cannot lag much behind. Therefore it is the returns from land production and the profits from industry and commerce of all kinds that will show worst in comparison with other States, and it is the earners of these incomes who will have most markedly a lower standard of comfort. The wage-earner will feel the position, however, indirectly in greater uncertainty of employment, and therefore a lower effective wage.

40. There is, then, no question of remedying the disabilities of the State. For the most part they must continue to be borne. It is a question only of supplying the urgent necessities of the State Treasury, and the amount may be ascertained with due precautions from an examination of the Treasury position. Any State requiring help from the Commonwealth should show its good faith by satisfying the following conditions:—

- (1) It should be taxing its people with considerably greater severity than the Australian average.
- (2) It should not be attempting social provision on a more generous scale than the average.
- (3) Its costs of administration should be below the average.
- (4) It should for some years at least have shown moderation and caution in loan expenditure.

41. If these conditions are satisfied, I submit that the responsibility is on the Commonwealth to make up what is required to enable revenue to balance expenditure. It is not a question of making a contribution towards it. If the above conditions are fairly satisfied, the obligation is on the Commonwealth to make up the deficiency in full as a vital condition for the effective working of Federation.

42. A statement has been prepared by a committee under the chairmanship of the Premier setting out in full the needs of the Treasury, and giving the information which will enable the tests set out in Para. 40 above to be applied to Tasmania. These tests may be considered in order.

(a) SEVERITY OF TAXATION.

43. Severity of State taxation cannot be measured by the rates imposed, because there are several kinds of tax, of which income tax, estate duty, and land tax are the chief, and we need a measure of the combined effect. Further, each of these taxes is graded on different scales in each State, with different methods of assessment and different exemptions and abatements, so that comparison of rates is little help. We must, therefore, take the total proceeds of all State taxes per head of population, and consider them in comparison with the taxable capacity of each State, which the uniform Federal income tax allows us to measure accurately (Para. 30). The same effective rate of tax will clearly produce twice as much revenue per head where the taxable capacity is twice as great. If, then, we take the total tax revenue per head in a State and divide it by the taxable capacity, we get a proper measure of *severity of taxation*. It will be convenient to make this equal to 100 for all States combined, and compute the measure for each State in proportion. This has been done in the following table, taken from "The Economic Record" (November, 1929, p. 345).

SEVERITY OF STATE TAXATION.

(Omitting Lottery and Motor Taxation.)

	Taxation Per Head.	Taxable Capacity.	Severity of Taxation.
	1925-29.	1925-28.	1923-29.
	s. d.		
New South Wales	93 2	115	96
Victoria	65 0	112	69
Queensland	100 0	72	164
South Australia	106 5	84	150
Western Australia	65 2	101	109
Tasmania	69 7	46	153
Six States	84 8	100	100

44. The taxation here given is not the whole of State taxation. Lottery taxation is omitted because the tax is drawn in almost equal degree from the inhabitants of other States. The inclusion of lottery taxation would increase the Tasmanian figures very greatly and the Queensland figures appreciably. Further, motor taxation is omitted because, though all States have it, in some it is not paid into the Consolidated Revenue, the figures are not readily available, and an uncertain amount is in payment for services and not strictly taxation. The figures ordinarily given for State taxation are misleading on this account. The taxable capacity is taken for the last three years available, as figures for a single year are sometimes abnormal.

45. It will be observed from the above table that the severity of Tasmanian State taxation in 1928-29 was 153, or 53 per cent. above the Australian average. Queensland and South Australia have a similar high severity.

46. Not only in 1928-29, but consistently for many years, Tasmanian taxation has been much above the average in severity. I give the figures for the last five years, taking in each case the nearest three years average of taxable capacity as a basis of calculation.

SEVERITY OF STATE TAXATION.

	1924-25.	1925-26.	1926-27.	1927-28.	1928-29.	Average.
New South Wales	91	88	99	89	96	93
Victoria	71	74	69	75	69	72
Queensland	180	161	167	178	164	170
South Australia	113	136	123	153	150	135
Western Australia	125	140	104	106	109	117
Tasmania	230	232	174	149	153	188
Six States	100	100	100	100	100	100

It will be seen that throughout the last five years Tasmania has very amply satisfied the condition of taxing herself with considerably greater severity than the average for Australia. The average Tasmanian severity for the last five years has been nearly double the Australian average and more than double that of Victoria and New South Wales. For 1928-29 it was more than 50 per cent. greater than the average.

47. It will be noticed that the severity was still higher in 1924-25. It was then that the financial position was becoming acute, and the State imposed very heavy income and other taxation. On small and moderate incomes the tax was considerably heavier than in any other State, and the consequent severity was more than twice the Australian average. It appeared in the event that taxation had overstepped the economic limit; the depression grew worse, and the exodus of population to the mainland reached unprecedented figures. It was accordingly proposed by the State, and approved by the Commonwealth, that some part of the increased Federal grant in 1926-27 should go to relieve to some extent this excessive taxation. This was done, but the severity of taxation is still 50 per cent. above the average.

(b) MODERATION IN SOCIAL PROVISION.

(c) ECONOMY IN ADMINISTRATION.

48. There is a moral obligation on every State not to lag far behind the general standard in education and other social provision. On the other hand, if a State is in financial difficulties and in need of Federal help, it should not be attempting social provision on a scale above the average for the Commonwealth, however desirable advancement in these directions might be on general grounds. There is an even stronger ground for expecting economy in government to be rigidly practised. On the other hand, the overhead costs of government are considerable, and with a small population it might well be found that great economy was still associated with higher costs per head. Nevertheless it will be found that, in spite of this handicap, costs per head in Tasmania compare very favourably with the other States.

49. It is not possible to test separately the two items, moderation in social provision and economy in administration. But they may be jointly tested very effectively by considering the cost per head of population incurred for education, hospitals and charities, police, and general government. These four items include nearly all the expenditure of State Governments apart from railways and other business enterprises, developmental expenditure, and interest. The figures are given for several years in Appendix B in the Premier's statement referred to

above. It will be seen that for these four items together Tasmanian expenditure per head has been consistently at least 20 per cent. less than the average of the other States. When the burden of overhead costs on a small population is taken into account it will be seen that Tasmania has very amply—perhaps too amply—fulfilled the conditions of moderation in social provision and economy of administration.

(d) MODERATION IN LOAN EXPENDITURE.

50. This condition might be stated more fully. If a State's loan expenditure is directly and fully reproductive, there is no occasion to inquire into the matter further. Where, however, there is a dead weight of interest, the State should be able to show that, at least for some years, there had been caution and restraint. All States have made mistakes in past loan expenditure, and Tasmania with the rest. But Tasmania's worst mistakes, such as the Scroell and Apsley railways, belong to the first period of Government borrowing—about 1890. The last heavy loan expenditure in Tasmania was for hydro-electric works—an enterprise which has been directly and almost quite fully reproductive. For the last five years Tasmanian figures have been very low. They should, of course, be low in any case in comparison with the large undeveloped State of Western Australia; but they are low also in comparison with Victoria and South Australia, with which they are more properly comparable. The figures for the last five years are given in Appendix C of the Premier's statement, and I set down the totals here:—

FIVE YEARS' LOAN EXPENDITURE PER HEAD, 1924-25 TO 1928-29.

	£
New South Wales	26
Victoria	24
Queensland	23
South Australia	43
West Australia	56
Tasmania	7
Six States	29

It is clear that this condition of moderation in loan expenditure has also been satisfied very fully by Tasmania.

51. It has been suggested that Tasmania's bad financial position to-day is due to unwise borrowing in the past. That is true; but what State is in a position to cast the first stone? Tasmania's debt per head occupies a middle position, somewhat greater than Victoria or New South Wales, somewhat less than Queensland, considerably less than South Australia or Western Australia. The special load on Tasmania comes from the small direct returns to revenue from loan expenditure. These are very low in Tasmania, from two causes—the large amount of loan expenditure on road-construction and the poor returns from railways. The loan expenditure on roads is a consequence of the broken nature of the country and the heavy rainfall, necessitating very much heavier expenditure on roads in proportion to population than in any other State. The railway returns have reached a very low figure on account of motor competition. This has affected all the State railway systems, but, on account of the absence of long hauls and suburban traffic, has hit Tasmania harder than the other States. Since 1919 the net returns from railways have decreased by £170,000 per annum, and in place of earning 21 per cent. on their capital, they now lose 1 per cent. Bad judgment, and a too easy optimism have characterised much loan expenditure in all States. I think it is the special Tasmanian environment rather than greater laxity in finance which has made Tasmania suffer more acutely than the other States from excessive loan expenditure in the past. At any rate, the practice of recent years shows that she has learned her lesson, in spite of the temptation to find an easy temporary relief from business depression and financial stringency by renewed borrowing on a large scale.

52. The four conditions proposed (Para. 40) are, then, fully satisfied. It remains to make a close examination of Tasmanian finances to ascertain the actual deficiency on the necessary cost of government, which has been shown in the preceding paragraphs to have been reduced to the bare minimum; while taxation, as a whole, has been kept to a high level—so high that any appreciable addition would have serious economic reactions, by increasing the flight of capital, already serious, to Victoria.

53. The material for this examination is contained in the Premier's statement, embodying the conclusions of an able and representative committee of which the Premier was chairman. I have had the opportunity of studying this statement carefully, and have, in fact, given some small assistance in details in its preparation; but I am not responsible for the general statement, and propose now to consider it critically.

54. It is very easy for a financial statement of this kind to be distorted by special pleading. One difficulty—particularly for Australian States—is in deciding what charges should properly go to revenue, and what to capital expenditure. Added to this is the question of what sinking fund provision should be made. In the same category is the particularly difficult problem of what are the reasonable charges for renewals and depreciations on Government undertakings. A State in financial difficulties—just like a private business in the same plight—is almost certain to relieve the instant pressure on its revenue by charging costs improperly to loans, and making very inadequate provision for renewals and depreciation. On the other hand, if a too severe standard of accountancy is given free play, the result is likely to be revenue charges inflated considerably above those of any other Australian State. A middle course is obviously necessary. The "proper" standard for the present purpose must be set by the general practice of Australian States, even though that may in many cases fall below the desired standard of sound public finance. The practical test is that the charges to revenue on all these accounts should not be higher in proportion than the average of the other States. They should, if anything, be a little lower, but not much lower—for much the same reason that the expenses of social provision (Para. 48) should be a little lower, but not much lower, than the average of the other States. Care must be taken that the items compared are strictly comparable—roads in a very wet, hilly country could not be compared with roads in a dry and flat one—but, with this precaution, the test of an average charge made by other States should lead to a fair conclusion.

55. The charging of costs improperly to loans and the inadequate provision for renewals and depreciation, including the writing off of losses and obsolete assets, has long been a source of anxiety to the Parliament and people of Tasmania. The persistent financial stringency has, however, almost inevitably postponed most proposals of reform. It is, therefore, particularly to be deplored that very moderate measures to that end should have been discouraged by the Commonwealth Government. In 1928 the Commonwealth Treasury disallowed the very moderate and very necessary charge of £55,000 for rolling stock renewals, on the quite false ground that no such provision was made by other States. (See the Premier's Statement, Para. 39.) The State was further urged to anticipate, very improperly, the Financial Agreement, and to discontinue certain sinking fund provision which Tasmanian conditions preperemptorily required. It is deplorable that the Commonwealth Treasury, faced by an unexpected deficit, should have so thoroughly lost its moral as to push a small State in difficulties further down the path of financial improvidence.

56. The crux of the Premier's statement lies in the provision proposed to be made for the kind of item which has been discussed in the last two paragraphs. Every such item requires consideration on its merits, and close, even suspicious, scrutiny; but I believe it can be shown conclusively that the charges proposed are in every case fair and moderate, and satisfy abundantly the test proposed above—that they should not be higher than the general Australian practice, as measured by the average provision actually made by the other States.

57. In Paragraphs 8 and 9 of the Premier's statement a summary is given of the financial history of the last four years, showing that a special grant, made up of £261,000 (the actual average grant), plus £77,000 (the average deficit), or paid its way. For reasonably sound finance, considerably more would be needed

- (a) Certain charges to revenue which should have been, but were not, made, such as the item for rolling stock renewals referred to above;
- (b) The relief from sinking fund contributions of £146,000 per annum, which, under Tasmanian conditions, should not have been abandoned without some other provision for wasting assets.

58. In Paragraph 10 of the Premier's statement a more exact estimate is made, based on the experience of these last financial year, and giving in detail the additional charges proposed. These cover the deficiencies indicated under both (a) and (b) above. It is because of the abandonment of the old sinking fund provision under the Financial Agreement that it now becomes imperative, without further delay, to make the provision set out as (a) to (g) in the Premier's statement (Para. 10). Much of this provision would have been wise even with the old sinking fund contributions. Without them, it becomes an obligation which cannot be postponed. Further provision of the same kind could wisely be made, but the practical test is the Australian practice. I believe that it is fairly shown in the succeeding paragraphs of the Premier's statement that this test is fully answered, and the charges proposed are below even the very moderate standard of financial propriety of Australian State Governments.

59. The conclusion of Section II. of the Premier's statement is that something between £500,000 and £550,000 is required on the experience of 1928-29. In Section III. a similar calculation is made for 1929-30, and generalized so as to be applicable for five years. Certain exceptional revenue charges, which will, in fact, be completed in less than five years, are therefore spread over the full period, but, in general, depreciation charges for obsolescence, or any other reason, are spread over a much longer period—up to 26 years in the case of dismantled railways. The conclusion is that a grant of about £550,000 per annum will be required to enable the State to balance expenditure over this period. The computation is at the moment subject to final consideration and revision by the committee making it, and I give the result only in round numbers.

60. It is certain that in the course of the next five years additional provision will have to be made for depreciation and writing off losses of capital, particularly in the case of obsolescent railways. It is obvious that, with the short railway hauls in Tasmania, railways are here being superseded by motor transport much more seriously than in any other State, where, in general, the large proportion of long hauls and of suburban traffic conserve the railway position. But it seems fair, on the whole, not to anticipate these additional charges. There is at least some hope that the efforts to stimulate land production and mining, and the increased manufacturing industry based on cheap water-power, may sufficiently improve the economic position as to allow these additional charges to be met out of an increasing revenue. If not, they must be the subject of enquiry in a new consideration of Tasmania's case five years hence. I do not myself foresee any great revival of prosperity with much confidence. A good deal of valiant effort will be used up even in maintaining the present position, in view of the unsatisfactory state of our markets, both overseas and in other States. Paper-ruin offers the one solid hope, but, at the best, some time must elapse before that is on a sufficient scale to give substantial relief.

61. There is a further need for additional revenue to make superannuation provision in the public services on something like the scale generally adopted in other States. Without such provision it becomes increasingly difficult to obtain and keep an efficient civil service. I think, under present conditions, Tasmania must continue to carry this handicap for some time longer—wasteful though such a defect must be in the long run—with only such partial alleviation as may be hoped for from such economic advancement as was the subject of speculation in the last paragraph. Failing that, I have no doubt that the need will have become too acute for further postponement by the end of the five-year period, and must also then be the subject of serious consideration in the readjustment of State and Commonwealth finances.

62. I think, then, that, however well the hopes of economic improvement are fulfilled, it may be reckoned with confidence that the relief to the Treasury will not, at the very best, be enough to meet new depreciation charges and provide, even by gradual stages, superannuation benefits up to the standard of other States. So that the present revenue deficiency of about £550,000 is a certain permanent State finance for the next five years, and requires a grant of that amount for that period to meet it.

63. It is hardly necessary to say anything about the necessity of fixing the Federal grant for a period of at least five years, and subjecting it to review at the end of the period. The most certain way of effecting this is to make the grant for five years and thereafter until Parliament otherwise provides. Five years is the very minimum necessary to give financial stability and enable State Governments to plan a continuous system of finance. Ten years would be desirable; but for at least five years the economic position, and the consequent financial capacity of the State, can be foreseen with reasonable certainty—at least so far as the possibilities of improvement are concerned. There is always the possibility of a cataclysm—either in nature, as by drought, floods, and earthquakes, or in the demand for exports and consequent prices—which may suddenly and drastically curtail the economic strength of the State; but any improvement must be gradual. There are no rich untapped land resources, and advances in technique and method and productive efficiency can only slowly be achieved, whatever the effort. The very remote and entirely speculative possibility of a new mineral field, both great and rich, is the only exception to the general statement, and I have no doubt the State would be willing to undertake to indemnify the Commonwealth for any part of the grant which should be made unnecessary by such a discovery. But new rich mineral fields are not practical policies, and the conclusion stands that a period of five years is safe on the grounds of need, and is the very least that will make it possible to establish and maintain a sound programme of State finance.

64. I wish, in conclusion, to offer some observations on the procedure adopted in the past to determine special grants to States under Section 96 of the Constitution.

65. The need for such grants must be recognized as liable to arise at any time and continue indefinitely. Both Tasmania and Western Australia have, for most of the time since Federation, been in receipt of some such grant, and there have been several determinations of the amount. At present South Australia is also receiving a grant. For all three the amount is arbitrary and the period short, so that reconsideration of the position in each case is necessary, either immediately or in the near future.

66. The need for special grants must then be regarded as continually recurring, but the Constitution gives no guidance as to the method of determination, nor even to the principles to be observed. Your Committee, in studying the question on the present case, must be impressed with the complexity of the subject, and feel keenly the absence of any accepted principles which could be the basis of its finding.

67. Under these circumstances, the only reasonable course is gradually to build up a set of principles and method of procedure which can be applied uniformly to any State at any time. It may be supposed that these principles and this procedure would be gradually developed, added to, corrected, and qualified in the light of study and experience, in something the way that the principles of wage-determination have been built up by the Arbitration Court, with very slender guidance from the legislature. In the case of State grants, Parliament would, of course, have a very direct responsibility, but it would seem to be most fitly exercised by a critical review of the principles proposed and the recommendations made by another, semi-judicial body, of which the essential feature would be that it should be non-political and continuous.

68. The essential need is uniformity of principle and practice. The question of a special grant has in the past been referred to other bodies, and Governments and Parliaments have carried out more or less completely their recommendations. These other bodies appear to have laid down no principles, even for their own guidance—still less any that their successors have been able to build on as a basis. There has been, therefore, not even the smallest attempt at uniformity in making special grants to States.

69. The essential requirement is, that all questions of State grants should be referred to the same person, or persons, for report and recommendation. Only in this way can uniformity be achieved, and the principles of determining grants clarified and developed so as to make a reasonable ground for action by Parliament. I have myself during the last five years given a good deal of time to the study of these special grants. The question is full of difficulty, and I have found that it is only after examining the cases for different States, and comparing and contrasting them, that I have been able to arrive at any sort of confidence in my own judgement of the merits of each case. I think that everybody who applies himself to these problems will have the same experience.

70. The proposed body of reference might be a very simple one. For numbers, three would be ample, with a permanent secretary, who might be seconded from duty in the Public Service or elsewhere as occasion arose. No very special qualifications would be required for the commissioners beyond clear-headedness and some capacity for impartiality. An ideal board might be composed of a business man, an economist, and a man conversant with public finance and statistics; but such qualifications should be secondary to clear-headed impartiality and willingness to make a continuous study of the problem. The secretary should, in any case, be well qualified in economies and public finance.

71. I suggest that such a body could be conveniently found in a reconstituted Interstate Commission. The Constitution is mandatory as to the appointment of an Interstate Commission (Section 101), with the special function of advising as to breaches of the spirit of interstate free trade (Section 102). Such breaches are at the present time frequent and flagrant, and the special offices of the Interstate Commission are now urgently needed to make Federation effective. To these functions might be added by Parliament the duty of examining and advising as to special grants under Section 96—a matter equally vital to the harmonious working of Federation.

72. The Interstate Commission is, however, merely one way in which a satisfactory advisory body to Parliament might be found. The one essential thing, in my view, is that all questions of State grants should be referred to the same person, or persons, for report. That is the first condition for building up a wise and consistent policy in respect to special grants.