1931.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

REPORT

ON

THE FINANCES OF TASMANIA AS AFFECTED BY FEDERATION.

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(Seventh Committee.)

(*Appointed 22nd November*, 1929.)

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* Appointed Chairman 22nd November, 1929. † Appointed Vice-Chairman 26th November, 1929. ‡ Appointed Minister for Defence, 3rd March, 1931.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS.

REPORT

ON

THE FINANCIAL DISABILITIES OF TASMANIA AS AFFECTED BY FEDERATION.

INTRODUCTION.

Under date the 6th December, 1929, the Honorable the Prime Minister (Mr. J. H. Scullin), 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.

In accordance with this request the Committee visited Tasmania, conducted the desired investigation, and presented a comprehensive report to Parliament on the 7th August, 1930.

On the 14th March, 1931, the Right Honorable the Prime Minister (Mr. J. H. Scullin) informed the Committee that the Government proposed to deal simultaneously with the requests of South Australia, Western Australia and Tasmania for financial assistance, and expressed the desire to have the benefit of the Committee's recommendations on a common plan. The Government therefore invited the Committee to review the recommendations relating to Tasmania, subject to terms of reference identical with those set out for Western Australia and South Australia. The amended reference reads:—

Inquire into and report upon the following questions:—

(1) Whether the State of Tasmania is subject to special disabilities arising out of Federation and affecting the finances of that State;

(2) Whether the State of Tasmania enjoys special advantages arising out of Federation and affecting the finances of that State;

(3) Whether any such special disabilities exist which, after taking into account—

(a) Any such special advantages; and

(b) Estimated shortages or surpluses as at 30th June, 1931, in the Revenue Accounts of the Commonwealth and of each of the States,

justify financial assistance being granted to the said State under Section 96 of the Constitution; and

(4) If it is found that the grant of financial assistance is so justified, the amount of financial assistance which should be granted, and the period, commencing on 1st July, 1931, which should be covered by the grant.

For the purposes of this reference 'special disabilities' and 'special advantages' shall be interpreted as disabilities or advantages suffered or enjoyed by the State of Tasmania to a substantially greater extent than a *majority of the other States.*

The Committee agreed to carry out the wishes of the Prime Minister, but pointed out that in its opinion "it was almost impossible to measure in monetary terms the extent to which the finances of any State were affected by Federation". The Committee also expressed the view that "the natural disabilities of a State cannot be separated from disabilities arising from Federation, and that the Federation cannot fairly disclaim all responsibility for the effects of natural resources on the prosperity of a State".

PREVIOUS REPORT OF THE COMMITTEE.

Following is a summary of the recommendations contained in the Committee's report presented to Parliament on the 7th August, 1930:—

(1) A special grant of £53,000 a year for five years for payment to the credit of the Railways Replacement 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.

In accordance with the original terms of reference, under which the Committee was requested to make a thorough investigation into the general question of Tasmania's disabilities, the Committee, in the course of a comprehensive inquiry, devoted particular attention to the primary industries of the State, as it was thought that the scientific development of those industries would go a long way towards the rehabilitation of the finances of the State. Expert evidence, which strongly supported the view of the Committee, indicated clearly that there was room for considerable improvement in the methods employed in the agricultural, pastoral and dairying industries, and it was confidently asserted that, if scientific methods were generally employed in those industries, the added wealth arising therefrom would soon remove the necessity for substantial financial assistance from the Commonwealth. The Committee therefore made recommendations designed to assist the State to stimulate its agricultural, pastoral and horticultural resources. Under the amended terms of reference these recommendations cannot, of course, stand; but the Committee feels that they are of such far-reaching importance that the State should be assisted, as far as possible, to carry them into effect.

AMENDED REFERENCE.

The first question under the amended reference is:—

Whether the State of Tasmania is subject to special disabilities arising out of Federation and affecting the finances of that State.

It was claimed on behalf of Tasmania that the State was subject to special disabilities arising from Federation, and particular reference was made to the operations of the tariff, the Arbitration Court and the Navigation Act.

THE TARIFF.

It was contended in evidence that the high protective tariff was an almost unmixed burden to Tasmania with very little compensating benefit. The following figures were submitted in support of this contention:—

GAINS AND LOSSES THROUGH PROTECTED COMMODITIES 1925 26.

(In Pounds per Head of Population.)

—	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.
	£	£	£	£	£	£
Equal costs per head	6.34	6.34	6.34	6.34	6.34	6.34
Subsidies per head	5.84	7.55	8.46	3.93	3.84	4.29
Gains	..	1.21	2.12	..	..	..
Losses	0.50	..	..	2.41	2.50	2.05

It was claimed that these figures give a reasonable measure of the comparative effect of the protective tariff on the States, and show that South Australia, Western Australia and Tasmania are paying heavily for the policy of protection.

On the basis of the above figures the annual loss to Tasmania is about £440,000.

The following figures show the joint effects of tariff protection and customs taxation:—

YEAR 1925-26.

—	Effects of Subsidies to Home-produced Goods.	Effects of Excess Customs Taxation.	Net Effects of the Two
	£ per head.	£ per head.	£ per head.
New South Wales	−0.50	+0.17	−0.33
Victoria	+1.21	+0.41	+1.62
Queensland	+2.12	−0.70	+1.42
South Australia	−2.41	..	−2.41
Western Australia	−2.50	−0.88	−3.38
Tasmania	−2.05	−0.64	−2.69

− Loss. + Gain.

On this basis the annual loss to Tasmania is £582,000.

While the figures quoted reveal considerable losses to Tasmania it is impossible to estimate the effect of such losses on the finances of the State Treasury. The calculations of "gains and losses through protected commodities" approximate figures contained in the report on "The Australian Tariff", but as the findings in that report in relation to the economic effects of the tariff have been challenged by officials of the Commonwealth Treasury and the Commonwealth Department of Trade and Customs, the figures submitted should, the Committee suggests, be interpreted with some caution. The Committee also feels that, as the findings in the report on "The Australian Tariff" have been extensively used and generally accepted as authoritative bases for arriving at important economic conclusions, including the question of financial grants to the States, steps should be taken to test, as far as possible, the accuracy of those findings.

The following evidence tendered to the Committee on behalf of the Commonwealth Treasury in relation to the tariff is of interest:—

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 (1928-29) 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 Repatriation Services cost £30,500,000 a year, Defence over £4,200,000, Old-age Pensions £10,600,000, 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 from protective duties would have to be obtained by some other form of taxation and primary industries would have to bear their share.

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 compete successfully 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, in 1930, 7 per cent. below the average for the rest of Australia, whereas for adult female wages the Tasmanian rate was about 1 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. Insofar as it had acted as an equalizer of wages, therefore, the Arbitration Court had benefited 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 urged in evidence 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. It was admitted, however, *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 protection. 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 the curtailment of services fell with special severity on Tasmanian production. It was stated in evidence that in a memorandum submitted to the Royal Commission on the Constitution by Professors J. B. Brigden and L. F. Giblin, the following appears :—

We cannot make the annual cost of protection through the Navigation Act less than 10s. per head of Tasmanian population.

It was pointed out, however, that the estimate was a rough one.

Following is an extract from further evidence submitted in relation to the operation of the Navigation Act :—

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 has proved a serious disability to Tasmania; but the other five Commissioners did not support that view. Two of those 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.

ADVANTAGES ARISING FROM FEDERATION.

The next question in the amended reference is "whether the State of Tasmania enjoys special advantages arising out of Federation and affecting the finances of that State".

The direct and indirect benefits derived by Tasmania may be gauged from the following :—

Special Grants—	£	£
From 1912 to 1922 (Total) ..	900,000	
1922–23 ..	85,000	
1923–24 ..	85,000	
1924–25 ..	85,000	
1925–26 ..	68,000	
1926–27 ..	378,000	
1927–28 ..	378,000	
1928–29 ..	220,000	
1929–30 ..	250,000	
1930–31 (Estimate)	250,000	
		2,699,000

The existing special grant of £250,000 per annum is for a period of five years ending on 30th June, 1934.

In 1924-25, the Commonwealth surrendered to Tasmania £111,000 a year, representing Commonwealth tax on lottery prizes. While a similar tax was re-imposed in Tasmania it was pointed out that it did not represent a regular annual benefit to Tasmania of £111,000. This year's revenue from lottery taxation was estimated to yield £70,000 less than last year, when £413,119 was received.

Concessions in respect of Soldier Settlement—	£	
Remissions of indebtedness	381,880	
Interest concessions	284,687	£
		666,567
Annual saving in interest to Tasmania resulting from remissions of principal		40,376
Cost of investigation of economic position of Tasmania by the Development and Migration Commission		14,073

Federal Aid Roads Agreement. Under this agreement the annual allocation to Tasmania was £100,000. On a population basis *Tasmania's share would be £68,000. On the basis of revenue* collected from the special tax on petrol the allocation to Tasmania would be £43,000. Tasmania therefore received a substantial concession compared with other States.

Bounties paid to Tasmania during the seven years ended 30th June, 1930—

	£	
Sulphur	28,848	
Shale Oil	1,132	
Canned fruits	7,884	
		37,864

The following detailed statement furnished by the Commonwealth Treasury affords a comprehensive view of the assistance rendered by the Commonwealth to Tasmania during the five years ended 30th June, 1930 :—

	1925–26.	1926–27.	1927–28.	1928–29.	1929–30 (*Estimated*).	Total Five Years.
	£	£	£	£	£	£
Capitation payments	269,477	266,859	..	..	..	536,336
Contribution towards—						
Interest	..	..	266,859	266,859	266,859	800,577
Sinking fund	..	..	28,597	29,705	31,000	89,302
Increased interest on transferred properties ..	..	..	7,511	7,511	7,511	22,533
Special grants	68,000	378,000	378,000	220,000	250,000	1,294,000
Road grants	37,500	100,000	100,000	100,000	100,000	437,500
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 ..	..	..	..	..	2,000	2,000
Assistance to primary industries—						
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	50,000
Total ..	517,088	865,637*	907,297	743,358	781,052	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 evidence discloses that other advantages to Tasmania arising from Federation include a free market on the mainland for exportable products such as potatoes, timber, hops, carbide and apples, and the assumption by the Commonwealth of expensive State functions such as Defence, Post Office, Old-age and Invalid Pensions, Maternity Allowances and Lighthouses.

The following table supplied by the Commonwealth Treasury shows the benefits derived by the States on the basis of an approximate allocation amongst the States of the Receipts and Expenditure of the Consolidated Revenue Fund of the Commonwealth for 1929-30. It will be observed that on this basis Tasmania benefited to the extent of £836,000 for the year 1920-30:—

APPROXIMATE ALLOCATION AMONGST THE STATES OF THE RECEIPTS AND EXPENDITURE OF THE CONSOLIDATED REVENUE FUND FOR 1929-30.

—	New South Wales.	Victoria.	Queensland.	South Australia.	Western Australia.	Tasmania.	Total.
	£ 1,000's.	£ 1,000's.	£ 1,000's.	£ 1,000's.	£ 1,000's.	£ 1,000's.	£ 1,000's.
Revenue collected by Commonwealth—							
Direct taxation, including Central Office Income Tax collections on population basis	7,071	5,001	1,684	1,332	916	340	16,344
Customs and Excise—on population basis	16,135	11,573	6,063	3,779	2,714	1,427	41,691
Other Revenue—on population basis ..	1,194	866	458	294	260	105	3,177
	24,400	17,440	8,205	5,405	3,890	1,872	61,212
Proportion of temporary advance to cover deficit (on population basis) ..	747	536	281	175	126	66	1,931
	25,147	17,976	8,486	5,580	4,016	1,938	63,143
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 ..	375	214	152	127	98	28	994
Special Grant	..	..	..	360	300	250	910
Grant for Roads	552	360	376	228	384	100	2,000
Invalid and Old-age Pensions ..	4,072	3,182	1,490	910	631	506	10,791
War Pensions	2,869	2,428	903	524	832	364	7,920
Maternity Allowances	262	167	92	52	45	25	643
Bounties	309	21	71	105	6	6	518
Interest on transferred properties (excluding Post Office)	129	54	33	14	15	15	260
Post Office—							
Profit	Cr. 265	Cr. 216	..	..	..	..	Cr. 198
Loss	..	..	22	123	21	117	..
	11,220	8,337	4,235	3,147	2,806	1,678	31,423
Departmental expenditure (including proportion of Central Office expenditure on population basis)	3,744	2,723	1,513	920	740	353	9,993
War Interest and Sinking Fund, &c., after deducting interest repaid by States on loans for Soldier Settlement (on population basis)	7,941	5,696	2,984	1,861	1,336	702	20,520
Loss on Railways (population basis) ..	267	192	100	63	45	24	691
Territories of the Commonwealth (on population basis)	200	143	75	47	34	17	516
	23,372	17,091	8,907	6,038	4,961	2,774	63,143
Benefit from Consolidated Revenue Fund	..	..	421	458	945	836	
Contribution to Consolidated Revenue Fund	1,775	885	..	..	..	..	
	s. d.	s. d.	s. d.	s. d.	£ s. d.	£ s. d.	
Benefit per head of population ..	..	..	9 0	15 9	2 5 4	3 16 4	
Contribution per head of population ..	14 4	10 0	..	..	..	..	

It was claimed by the Commonwealth Treasury that the above figures on the whole afforded a good guide as to the benefits derived by the States from the Commonwealth Revenue Account. The following notes explanatory of the table were submitted to the Committee on behalf of the Commonwealth Treasury:—

CUSTOMS AND EXCISE REVENUE—£1,427,000.

Tasmania has been credited with a share of the total Customs and Excise receipts of Australia on a population basis. In 1924, a Tasmanian Committee estimated that the consumption of dutiable goods in Tasmania was 85 per cent. of the Australian average. On this basis the amount to be credited would be £214,000 less.

DIRECT TAXATION—£340,000.

This includes £125,000, the proportion on a population basis of the income tax collected by the Central Office. *If the contention of Professor Giblin as to the taxable capacity of Tasmania be correct the proportion to be credited* would be about £70,000 less.

SPECIFIC EXPENDITURE—£1,678,000.

These services were all directly applied to the benefit of Tasmania. They represent £7 13s. 2d. per head compared with the average of £4 18s. 2d. per head of population for corresponding expenditure in all the States.

OTHER EXPENDITURE—£1,096,000.

A portion of this represents actual expenditure in Tasmania, but the bulk of it represents a proportion of general services. Some objection might be raised to this method of allocation, but any reasonable adjustment, after making a similar adjustment in respect of revenue, would not materially alter the net result of the statement.

It is submitted that the statement clearly discloses that Tasmania gains very real and substantial benefits from the Revenue Account of the Commonwealth, and that these benefits are adequate compensation for the disabilities suffered by Tasmania under Federation.

In reply to this contention it was claimed on behalf of Tasmania that many Commonwealth services in which Tasmania was interested had been carried out on a more lavish scale than Tasmania on her own resources could have attempted. This consideration, it was contended, made the strict accountancy position of no great significance. It was also claimed that there *was one outstanding instance of expenditure being forced on Tasmania beyond her capacity* to pay, and that was war expenditure and the interest payable thereon. It was also represented that in any consideration of the allocation of the receipts and expenditure of the Commonwealth amongst the States the low taxable capacity of Tasmania must be taken into account.

COMMON PLAN.

In the reference to the Committee it is stated that "the Government proposes to deal simultaneously with the requests of South Australia, Western Australia and Tasmania, and it desires to have the benefit of your Committee's recommendations on a common plan". The Committee was also requested to inquire into and report upon the following question:

Whether any such disabilities exist which after taking into account—

(*a*) Any special disadvantages; and

(*b*) Estimated shortages or surpluses as at 30th June, 1931, in the Revenue Accounts of the Commonwealth and of each of the States,

justify financial assistance being granted to the said State (Tasmania) under Section 96 of the Constitution.

In accordance with these requests the Committee analysed the surpluses and deficits of all the States from the date of Federation, but in view of the different methods of accounting adopted by the various States it was found impossible to reduce the figures to a common basis which could be fairly used for comparative purposes. *In the opinion of the Committee a common basis cannot be arrived at without an exhaustive examination of the accounts of all the States.* In its report on the "General Disabilities of Tasmania" the Committee recommended that an endeavour should be made to establish, as far as possible, the accounts of the Commonwealth and the States on a uniform basis. In the light of the additional experience gained during the inquiry into the finances of South Australia, the Committee again strongly urges that steps be taken to that end. If the States could be induced to adopt a uniform basis of accounting, *inquiries into the finances of the States would be greatly simplified.* In the absence of uniformity the difficulty of formulating a common plan will be appreciated.

FINANCIAL POSITION OF TASMANIA.

The following figures afford a general view of the finances of Tasmania:—

	Surplus (Including Commonwealth Grant.)	Deficit (Including Commonwealth Grant.)	Commonwealth Grant.	Deficit (Excluding Commonwealth Grant.)
	£	£	£	£
1926–27	185,143	..	378,000	192,857
1927–28	95,082	..	378,000	282,918
1928–29	..	89,542	220,000	309,542
1929–30	..	25,720	250,000	275,720
1930–31 (Estimated)	..	206,964	250,000	456,964
				1,518,001

Average Annual Deficit, excluding Commonwealth Grants.

	£
Last five years	303,600
Last four years	331,286
Last three years	347,408
Last two years	360,342
Estimate 1930–31	456,904

The above calculations, which are based on published figures, do not include deferred charges, such as losses on soldier settlement, closer settlement and railway replacements.

Expenditure (per Head of Population.)

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 5 5	21 12 2
South Australia	17 12 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
Annual average	16 12 4	5 12 11	22 5 3

The figures quoted represent the average annual 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, and that 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
All States	27

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	1 9 4	0 17 11	0 8 6	1 19 6	4 15 3
Tasmania as a percentage of all States	85.2	97.3	77.3	68.1	78.1

It was also submitted that it was not desirable that any one State should fall much below the Australian standard in social and fundamental services, and that Tasmania's inability to provide adequately for the services named had 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.

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. The following figures were submitted to show that the taxable capacity of Tasmania was far below the Australian average:—

Relative Taxable Capacity.

—	Income Year 1927–28.	Last Four Years.	Last Fourteen 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
All States	100	100	100

It would be observed that, taken over the whole period, the average level of taxable capacity 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 urged, in itself the most valid and convincing evidence of the need for Federal assistance, and between States was a fair measure of the relative need for it.

Severity of State Taxation 1920–21 to 1929–30.

(Excluding Lottery Taxation in Tasmania.)

—	New South Wales.	Victoria.	Queensland	South Australia.	Western Australia	Tasmania.	Six States
1920–21	101	71	175	86	110	122	100
1921–22	110	66	164	99	90	114	100
1922–23	101	65	190	107	102	160	100
1923–24	108	69	149	101	106	134	100
1924–25	106	64	214	91	123	162	100
1925–26	93	78	136	131	122	193	100
1926–27	94	75	155	126	129	195	100
1927–28	94	70	166	161	118	143	100
1928–29	95	73	158	153	98	117	100
1929–30	88	83	173	174	90	125	100
Average per year over ten years	99.3	71.4	168	122.9	108.8	146.5	100

It will be noted that the average severity of taxation in Tasmania over the period stated was well above the average for all States.

TAXATION.

Excess Taxation Paid in Tasmania Based on Taxable Capacity.

	£
1925–26	546,200
1926–27	315,900
1927–28	110,600
1928–29	134,400
1929–30	154,200

Average Annual Excess Taxation Paid in Tasmania Based on Taxable Capacity.

	£
Last five years	252,300
Last four years..	178,800
Last three years	133,100
Last two years	144,300

Note.—Figures exclude lottery taxation.

The above figures represent the excess taxation paid in Tasmania over the average tax for all States after taking into account the taxable capacity of the State.

PUBLIC DEBT.

At the 30th June, 1930, the net Public Debts of the various States were as under:—

—	Net Debt.	Net Debt per Head.	Annual Interest per Head.
	£	£ s. d.	£ s. d.
New South Wales	270,485,109	108 14 4	5 9 8
Victoria..	155,714,797	87 4 8	4 7 2
Queensland	111,808,975	118 18 11	5 15 2
South Australia	93,977,794	162 0 7	8 4 0
Western Australia	70,970,166	169 7 7	8 8 0
Tasmania	22,680,849	105 9 10	4 19 10
All States	725,637,690	112 18 1	5 12 7

It will be noted that Tasmania's debt per head and interest per head are lower than the average for all States.

FINANCIAL POSITION OF THE COMMONWEALTH AND THE STATES.

The following table, which was submitted to the Committee on behalf of the Commonwealth Treasury, shows the surpluses and deficits of the Commonwealth and the States during the last four years:—

—	1927-28.	1928-29.	1929-30.	1930-31 Estimate.	Accumulated Result for Four Years. Total.	Accumulated Result for Four Years. Per Head.
	£1,000's.	£1,000's.	£1,000's.	£1,000's.	£1,000's.	£ s. d.
Commonwealth	2,630	2,359	1,471	14,500	20,960	3 4 11
New South Wales	860	24	5,262	8,000	14,146	5 13 2
Victoria	163	*Cr.* 51	1,173	2,300	3,585	2 0 0
Queensland..	*Cr.* 10	166	723	600	1,479	1 11 2
South Australia	275	931	1,626	2,000	4,832	8 6 0
Western Australia	27	*Cr.* 74	518	1,000	1,471	3 9 11
Tasmania	*Cr.* 95	90	26	200	221	1 0 0
Total States	1,220	1,086	9,328	14,100	25,734	3 19 7
Total Commonwealth and States	3,850	3,445	10,799	28,600	46,694	7 4 6

Note.—All sums represent deficits except where otherwise indicated.

Following are extracts from the evidence of the Commonwealth Treasury in relation to the figures quoted:—

An important feature of this table is the relatively satisfactory position of Tasmania during the last four years, which arises largely from Commonwealth assistance. Another striking feature is the serious retrogression in 1930–31, compared with 1928–29, which shows that the finances of Tasmania have suffered far less than those of almost all of the other Governments. A further striking feature is the estimated deficit of £14,500,000 of the Commonwealth for 1930–31, which has accrued since the previous Treasury evidence was furnished in this inquiry. The deficit is almost wholly due to the decline in revenue, and on the basis of present taxation no improvement can be expected next year. Professor Hytten (the representative of the Tasmanian Government) stated that Commonwealth finances have nothing to do with the case, and he expressed the view that they should not be taken into consideration. It is submitted that they are a most important factor which cannot be ignored, and that they should be taken into consideration.

In the Commonwealth Treasury evidence in May last, it was suggested that 'with the special grant of £250,000 already approved, and with the continuation of other assistance from the revenue account of the Commonwealth, the Tasmanian Government seems to be in a comparatively favorable position to meet the future. In the circumstances it may not be unreasonable to expect Tasmania to carry on under the existing conditions of financial assistance'. The course of events during the last twelve months shows that, compared with most of the other Governments, the position of Tasmania relatively is now much more saitsfactory than it was then.

It is submitted that Tasmania has not demonstrated that the State is suffering from special disabilities arising out of Federation which justify further assistance. The latest picture of the finances of the Commonwealth and the States clearly shows that the position of Tasmania is relatively better than that of most of the other States. The position of the Commonwealth and some of the States is desperate. Their existing burdens will require the whole of their present resources of taxation for some years, and it is physically impossible for them to provide further assistance to Tasmania in addition to meeting their own obligations. Finally it is suggested that, taking a broad view of the position, Tasmania, with its special grant of £250,000 a year, and with the continuation of that grant until 1933–34, might reasonably be expected to carry on for a few years without any increase in the special assistance from the Commonwealth.

On behalf of Tasmania it was contended that the financial position of the Commonwealth should not be taken into account in dealing with the claims of the State for financial assistance. It was also claimed that the finances of Tasmania would reveal a much worse position than that disclosed if allowances were made for the drastic economies effected since the Melbourne conference of August, 1930. In this connexion it was stated that there was a vast difference between the measures taken by the various States to make economies in public expenditure, and that there were even greater differences in the scope for savings. Tasmania had, it was claimed, clearly shown frugality in expenditure on essential functions of Government, such as education, health, police and general administration. Public servants and teachers, whose salaries were well below the Australian average, had been called upon to bear further severe cuts. Expenditure on education had been reduced by approximately 10 per cent., and other services had suffered similar reductions. It was further claimed that roads had been neglected; that railway expenditure on maintenance and renewals was smaller than ever; and that no provision had been made for railways depreciation. The inability to find money for these services would, it was contended, inevitably throw a greater financial burden on later years.

The measures taken in an endeavour to balance the Tasmanian Budget for the current financial year were, according to the evidence, as follow:—

	£	£
Reduction in Public Service salaries	20,000	
Reduction in expenditure on education, including salaries ..	30,000	
Reduction in railway expenditure	30,000	
Other reductions	10,000	
		90,000
New Taxation—		
Stamp duties	69,000	
Income tax	41,000	
Probate duties	10,000	
Motor tax	12,000	
Amusement tax	6,000	
		138,000
		228,000

The advancing depression had, it was stated, made it impossible to realize these estimates. The revenue collections for ten months were very discouraging, recent calculations showing a decrease in estimated revenue of £181,500. It was strongly urged on behalf of Tasmania that the State should not suffer because of a genuine attempt to help the Commonwealth through a difficult situation.

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OBSERVATIONS AND RECOMMENDATIONS OF THE COMMITTEE.

Having carefully reviewed the financial position of Tasmania in accordance with the amended terms of reference the Committee has arrived at the following conclusions :—

(a) That Tasmania, which is largely dependent on primary production, suffers special disabilities through the operation of the tariff; but it is impossible to express such disabilities in terms of loss to the State Treasury ;

(b) That Tasmania, owing to her predominant interest in interstate trade, bears a disproportionate share of the costs which the maintenance of an Australian Mercantile Marine involves ;

(c) That Tasmania, owing to her geographical position, her low taxable capacity, and the serious handicap involved in her dependence on sea transport, is placed

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If at a later date the financial ~~position~~ conditions of the Commonwealth and ~~the~~ Tasmania ~~is~~ are such as to justify further financial assistance to Tasmania, the Committee urges that close consideration be given to its previous recommendations, which, if given effect to, are more calculated to bring about the financial rehabilitation of Tasmania than the granting of monetary assistance from year to year.

J. B. Hayes.

A. A. Hoare.
M. R. O'Halloran.
G. E. Yates.

P. E. COLEMAN.
Chairman.

P. E. Coleman

Office of the Joint Committee of Public Accounts,
Parliament House, Canberra,
17th June, 1931.

OBSERVATIONS AND RECOMMENDATIONS OF THE MINORITY.

After an exhaustive investigation into the disabilities of Tasmania brought about by Federal legislation and policy, including the operations of the tariff, the Navigation Act, the Arbitration Court, and the sugar embargo, the Committee submitted a comprehensive report to Parliament designed to compensate Tasmania for the disabilities suffered by Federal action.

The recommendations of the Committee were specific and involved a monetary advantage to Tasmania of probably not less than £120,000 per annum in addition to the existing annual grant of £250,000. The Committee's reason for making specific recommendations was that it was felt that any additional financial assistance should be applied, for the most part, to the development of the primary industries of the State. The conditions imposed on the expenditure of the additional sum recommended may be eliminated under the amended terms of reference, but we see no reason why the amount should not be granted.

The figures included in this report in relation to taxable capacity and severity of taxation amply demonstrate that, in comparison with other States, Tasmania is in a very unfavorable position.

It is clearly shown that the costs of government and social services in Tasmania are considerably less than the relative costs of the other States.

The comparisons of Loan Expenditure on page 12 also show that care and moderation have been exercised in Tasmania, particularly during recent years.

It should be stressed that the revenue of Tasmania is not stable, as a large proportion of its income is derived from lottery taxation.

The present budgetary position of Tasmania has been made possible only by extremely careful expenditure. Any savings made in Tasmania by frugal administration should not be advanced as a reason for denying its claim because the Federal Government is financially embarrassed.

We are of opinion that both South Australia and Tasmania have established reasonable cases for substantial increases in their existing Federal grants, and we think that the grants to both States should be augmented to the extent recommended in the reports of this Committee on South Australia and Tasmania dated, respectively, the 17th June, 1931, and 7th August, 1930.

The Committee protested against the amended terms of reference on the grounds that it was impossible to assess in monetary terms the disabilities arising from Federation, and that it was impracticable to separate Federal disabilities from natural disabilities. We are strongly of opinion that it was never intended in the Commonwealth Constitution (Section 96) that the natural disabilities of a State should be disregarded in determining the measure of financial assistance to be rendered by the Commonwealth. We also hold the view that there is nothing in the amended terms of reference to justify the Committee in departing from its original recommendations. The amended reference which sets out that the Committee should consider the claims of States for assistance in conjunction with the financial position of the Commonwealth and the other States is particularly unfair to Tasmania.

For the reasons stated we find we are quite unable to agree with the report of the majority of the Committee.

It is interesting here to recall that Sir Nicholas Lockyer after very careful examination of the State's affairs recommended that the State be granted a loan of £1,000,000 free of interest for 10 years; a special grant of £300,000 for 10 years; a sum of £50,000 a year for the purpose of afforestation; a sum of £500,000 to relieve the State of part of the capital cost of the hydro-electric scheme; a sum of £20,000 a year for ten years for the purpose of assisting in prospecting and geological survey, tracks, &c., as well as other benefits. These recommendations involved an annual benefit to Tasmania of, approximately, £500,000. Since Sir Nicholas Lockyer made his report the need for Federal assistance has become more urgent, and we therefore confidently recommend that the present grant of £250,000 be increased by an amount equal to the recommendations unanimously agreed to and expressed in the report of this Committee of 7th August, 1930.

J. ALLAN GUY.
J. B. HAYES.

J B Hayes
J. Allan Guy

Canberra, 17th June, 1931.

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