1896.

SESSION II.

PARLIAMENT OF TASMANIA.

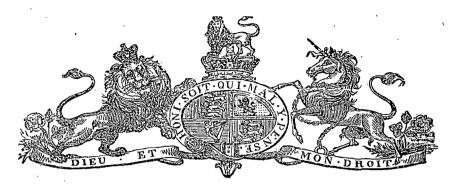"SOME CONDITIONS OF AUSTRALIAN FEDERATION,"

BY SIR SAMUEL GRIFFITH, G.C.M.G., CHIEF JUSTICE OF QUEENSLAND.

A REJOINDER,

BY SIR PHILIP FYSH, K.C.M.G., TREASURER OF TASMANIA.

Presented to both Houses of Parliament by His Excellency's Command.

The Address of Sir Samuel Griffith, G.C.M.G., to which this is a rejoinder, can be seen upon application to the Hon. the Treasurer.

"SOME CONDITIONS OF AUSTRALIAN FEDERATION,"

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"Australian Federation, some Conditions of," by Sir Samuel Griffith, G.C.M.G., Chief Justice of Queensland, offered in a lecture under the auspices of the University Extension Council, delivered in Brisbane on the 11th June, has proved the inutility of setting forth any figures in proof of the financial position of each Colony if the provisions of the Commonwealth Bill are relied upon as the financial basis of the Federation.

Those of us who have tried to frame a debtor and creditor account, "The Commonwealth in account with each separate State," have shrunk from publication, because no thoroughly reliable data can be found that shall form a basis of calculation.

It would be reasonable to omit from the account all figures relating to New Zealand as a State very probably not willing to join until isolation, loss of trade, the growing prestige of the Commonwealth, or her need to be in line with her neighbours in defence, compels her to join.

It would render any attempt at an approximation of results more accurate were Western Australia also left out of the account, because her booming Customs revenue, which has reached £5 7s. 6d. per head of population, results from circumstances peculiar to the early years of gold discoveries, and will soon approximate more closely with the Customs duties collected in the more settled colonies, which range from South Australia, the lowest, at 29s. 3d., to Queensland, the highest, at 52s. 8d. per head of population. Another disturbing element is now materially affecting the Customs revenue of New South Wales, which for 1894 was 37s. 7d. per head, but which, with a free-trade tariff, will fall until the time for sugar duty expires, when 25s. or even less per head will measure the contribution of her population.

But, as Sir Samuel Griffith has dealt with 1894 figures, I will, for more easy comparison, adopt the figures of that year. It is useful, however, to give the note of warning that, as the figures of each year vary, no two years will produce the same results,—e.g., Tasmania, in 1891, collected Customs amounting to £376,130, while a similar tariff in 1894 produced only £281,945. If reliance were placed upon the financial aspect of Federation gauged by the 1891 Customs Returns, what an alarm would be created by the discovery of results compiled from our 1894 Customs Revenue Returns.

In common with others who have turned attention to the Commonwealth financial problem, I was startled by the results which Sir Samuel brought out, until I became fully seized of the importance of the mistake made by taking the example of "Actual Revenue" from Customs, &c., so varying as I have pointed out, and disregarding the effect of Intercolonial Free Trade and an Uniform Tariff, between which and the differential existing Tariffs there can be no useful contrast made. The non-realisation of this appears to be the cause of all Sir Samuel Griffith's difficulties.

Actual Revenues of 1894 are not comparable with the Revenues to be derived from Customs by the Commonwealth "after uniform duties of Customs have been imposed." Inter-colonial Freetrade is the basis of the Commonwealth Bill, and without it no progress had been made towards Federation.

It is no fault of Sir Samuel Griffith that he has made up his division of surplus in proportion to contribution, for such is the provision of the Bill. That provision was opposed to the recommendation of the Finance Committee of the 1891 Convention, which reads :—"After an uniform tariff has come into operation the surplus revenue may fairly be distributed amongst the various Colonies according to population," and when submitting the adopting measure to the Tasmanian Parliament, that provision was amended to be in accord with the other provision of the Commonwealth, viz., that the "expenditure be apportioned according to population."

These differing provisions arose from one Colony overlooking for the time that we were engaged on the making of a nation, and influenced by the parochial sentiment, being moved to bargain that the duty arising from the extra consumption of ardent spirits in one Colony should be placed to the credit of that Colony, but I venture to say wiser counsels will prevail, and both Customs revenue and Federal expenditure be treated uniformly. Sir Samuel has chosen also to ignore the Convention figures, which give as a total of expenditure £2,226,000, made up thus—

Civil Government	£639,000
Collection of Revenue	£270,000
Defence	£750,000
To recoup loss on Post and Telegraph Services	£200,000
Interest on cost of Defence Works taken over by Federal Government	£367,000,

and he has adopted in lieu thereof the 1894 "existing expenditure" of all the six Colonies, and added thereto £100,000 for Lights and Quarantine, and £230,000 for Salaries of Governor-General, Parliament, Ministers, Treasury, State, and Attorney-General Offices, making a total of £2,909,000, or an excess on the estimate of the Finance Committee of £683,000. The effect of such an increase is apparent in the magnifying of differences, although not affecting the proportions distributed.

The importance of making up the account on the basis of an uniform tariff, (i.e., after the establishment of free ports for all Australian products), is too closely allied with the prosperity of all producers to need anything more from me than a statement of the financial results which I am able to make with accuracy through the courtesy of Mr. Coghlan, Statistician of New South Wales, who not only gave to me much of his valuable time when last I was in Sydney, but has been untiring in his efforts to produce a statement which may be relied upon, and which, while I can condense for the public with results shown by a few figures, covers 150 pages of foolscap very crowded with Customs Returns for all the Colonies. The total of the amounts collected by each Colony is £857,685.

The Products of New South Wales paid Duty in other Colonies to the amount of		New South Wales collected on Products of other Colonies.. £407,021	
Colonies to the amount of	£113,421		
Those of Victoria	234,152	145,231	Victoria collected.
„ Queensland	294,500	73,233	Queensland collected.
„ South Australia	106,797	15,473	S. Australia collected.
„ W. Australia	41	99,142	W. Australia collected.
„ Tasmania	62,092	40,072	Tasmania collected.
„ New Zealand	46,682	77,513	New Zealand collected.
	£857,685	£857,685	

Let it be borne in mind that this £857,685 remains in the taxpayers' pockets, although as revenue the Federal Government loses it. Yet again, these figures open up a new element of much significance that still further emphasises our inability to put the whole case before the public. The £294,500, duty paid on the products of Queensland in other Colonies, is mostly on sugar. That, again, is a part only of the duty collected on sugar in each Colony. The consumption is about 170,000 tons, and although Queensland has only overtaken the demand to the extent of one-half, it is anticipated that in five to seven years she will be able to undertake the entire supply, as a differential rate in her favour of £2 will give to her the monopoly of these markets until New South Wales again comes into that active competition which a differential rate of excise will produce. I write on the assumption that a preferential rate of excise, say of £3 per ton, will be collected in place of the average £5 duty now imposed on all sugars irrespective of country of production.

Here, then, is another element disturbing all anticipatory results, but on the assumption that an excise of £3 be collected by the Federal Government, the further loss to Commonwealth revenue will be £200,000, with a corresponding gain to the consumers. Together these amounts allow for a loss on sugar revenue of £350,000.

It would be foreign to the purpose of this statement to enter into the methods by which a displacement of about £1,000,000 of present revenue to be lost by Intercolonial freetrade is to be made good, but it is apparent that the consumer will have that much saved as a fund to meet other taxation if needed, and the producer will reap the rewards of a market comprising 4,200,000 population. Elsewhere I have pointed out that unified Australasian Consols will probably enable a saving of £1,000,000 sterling to be effected by the Commonwealth. This point of gain to the consumer of cheapened commodities does not enter into Sir Samuel Griffith's address. I proceed to give ": Methods of distributing surplus Revenue." One, denominated A, prepared under instructions of Sir Thomas M'Ilwraith, K.C.M.G., for use at the Sydney Convention, 1891, and another, denominated B, prepared by myself from the latest returns, and in juxta-position therewith the results of Sir Samuel Griffith's method C.

I think it is apparent that Sir S. Griffith cannot be correct, and that the others are more nearly so.

A is based on an uniform tariff, that of Victoria being taken and calculated on 1889 imports of all Colonies, giving results in column 1. Column 2 shows distribution of surplus by the Federal Government according to proportion of revenue raised in each Colony after it has paid the expenses, £2,226,000 ; column 3 shows what would be paid by each Colony as its share of the said expenses upon such a distribution ; and column 4 shows the proportion of the said expenses of each Colony distributed according to population ; and column 5 (added by me) brings out the net result of gains and losses. New South Wales, Victoria, Queensland, and Western Australia gain between them £143,600. which is the loss divided between South Australia, Tasmania, and New Zealand.

A.—Methods of Distributing Surplus Revenue.

COLONY.	Customs Revenue which would be raised under the Victorian Tariff.	Distribution of Surplus of £6,455,200 according to proportion of Revenue raised by each Colony.	Cost of Federal Government of Australasia to each Colony of the Group.	Cost of Federal Government rateably distributed according to Population.	Net results gains or losses.
	1.	**— 2.**	**= 3.**	**— 4.**	**= 5.**
New South Wales ...	£2,812,000	£2,090,800	£721,200	£667,800	£53,400 —
Victoria	2,660,100	1,977,900	682,200	655,300	26,900 —
Queensland	1,185,100	881,100	304,000	240,900	63,100 —
South Australia	522,000	388,000	134,000	187,000	53,000 +
Western Australia ...	101,700	75,500	26,200	26,000	200 —
Tasmania	309,000	230,500	78,500	89,300	10,800 +
New Zealand	1,091,300	811,400	279,900	359,700	79,800 +
AUSTRALASIA.........	8,681,200	6,455,200	2,226,000	2,226,000	

That method, based on uniform tariff, makes an easy disposal of the difficulty of finding what is due to, or by each, consequent upon free ports for colonial products ; but the simplicity of the method ignores the gains or losses to each State represented in the £857,685 revenue no longer to be collected on the products of neighbours, but remitted in accordance with the freetrade principle that all have agreed is the fundamental base of Federation. Yet such concessions to each other for the wider interests of the whole were momentarily ignored when framing that unfortunate clause,—" That surplus shall be returned to each State in proportion to the Revenue collected therein."

Sir T. M'Ilwraith's method is tested to an extent and brought up to date by method marked B, based on existing tariffs, but taking into account the losses of Revenue in each Colony by intercolonial free-trade.

Column 1 gives present cost to, or " existing expenditure," of each Government of such Departments as will be taken over by the Federal Government.

Column 2 gives the loss to each Government by opening all ports free to colonial products.

Column 3 gives the proportion of cost of Federal Government distributed according to population.

Column 4 gives the result of column 2 plus 3, and shows the share of each Colony towards Federal Government, combined with the loss of each (of duty) by intercolonial free-trade.

And column 5 brings out the net result of gains and of losses by intercolonial free-trade, column 2 plus cost of Federal Government, column 3, equal the share of each towards Federal Government, column 4, bringing out the product—gain or loss—column 5.

B.—*Methods of Distribution Surplus Revenue.*

COLONY.	**1.** Present cost of working the Departments.	**2.** Loss by freeing the Ports.	**3.** Cost of Government distributed according to Population.	**4.** Share of each towards Federal Government, combined with loss of Duty.	**5.** Gain or Loss to each by Free Trade, plus cost of Federal Government minus present cost of Administration.
	£	£	£	£	£
New South Wales......	1,040,640	407,021	667,800	1,074,821	34,181 +
Victoria..................	732,548	145,231	655,300	800,531	67,983 +
Queensland	434,368	73,233	240,900	314,133	120,235 --
South Australia.........	266,403	15,473	187,000	202,473	63,930 –
Tasmania	101,810	40,072	89,300	129,372	27,562 +
Western Australia......	103,453	99,142	57,777	156,919	53,466 +

It is unnecessary to quote Sir S. Griffith's many columns of figures, because the results of gain or loss to each Colony which he first arrives at may be found by comparing only two columns, the " existing expenditure " assumed by Federal Government, Column 1, compared with an apportionment of the expenditure as enlarged per head of population, Column 2, with the result of gains or losses in Column 3.

C.—In this connection Sir Samuel quotes thousands only :—

	1. Existing Expenditure assumed by Federal Government.	**2.** The Expenditure as enlarged by Sir S. Griffith apportioned per head of Population.	**3.** Results—Gains and Losses.
	£	£	£
New South Wales	1,041,000	1,050,000	9000 –
Victoria..	733,000	972,000	239,000 –
Queensland	434,000	378,000	56,000 +
South Australia	266,000	294,000	28,000 –
Tasmania	102,000	131,000	29,000 –
Western Australia	103,000	84,000	19,000 +

Of the two plans adopted by Sir Samuel, this brings out the most extravagant results. It appears that the circumscribed area over which Victoria collects her customs and travels her mails, with a density of population 13·37 to each square mile as against New South Wales 3·98 to each square mile, permits more economy than the geographical conditions of New South Wales allow.

Victoria, with a population of 100,000 less than New South Wales, and revenue to cede to Federal Government only £150,000 less, yet gathers that revenue for £310,000 per annum, or a cost of about 30 per cent. less than New South Wales.

That is the gist of the whole matter, and why New South Wales on that plan loses £9000 and Victoria loses £239,000. But let it always be borne in mind that Victoria relinquishes on Intercolonial Free Trade only £145,231, while New South Wales relinquishes £407,021, so that on a federal base my results in Schedule B. are more nearly correct, viz. :—

Victoria, loss ......,............................... £34,181
New South Wales, loss.............................. £67,983

But Sir Samuel says, if instead of taking the rule prescribed in the Draft Bill the net surplus between actual revenue and expenditure be distributed in proportion to the amount contributed by the different Colonies, another method now introduced by him, the results are—

	£	£
New South Wales will gain	72,000	
South Australia will gain............	22,000	
Victoria will lose	...	180,000
Tasmania will lose.....................	...	16,000
Queensland will lose...................	...	35,000
Western Australia	...	93,000

a difference between gains and losses of £230,000, which Sir Samuel calls the additional cost of " Federal Government, towards which New South Wales and South Australia would have contributed nothing."

That is clearly an error, for to find the net divisible amount the £230,000 must be first charged, and then disappears the inequity Sir Samuel names.

Here crops up again the old error of the Bill, the incongruity of distributing a surplus in proportion to revenue received from each State, and charging expenditure in proportion to population.

That was recognised when the Convention adopted the loss, estimated at £200,000, of all postal and telegraph services, the only services where there can be any specially local charges. South Australia had lost a quarter of a million sterling on the Port Darwin telegraph, a loss no longer to be tolerated when federal rights were to be recognised and federal practices adopted, just as we have already pooled all cable subsidies, and pay a federal contribution to the navy, and the Maritime Conference recommended the charge for light-houses to be on a federal basis. Smuggling in Western Australia would be kept down for the benefit of all concerned, and therefore the cost thereof is the concern of all.

The elements which govern those gains and losses are the economy or costliness of the revenue-producing departments, and the amount of duty on intercolonial products abandoned by each.

The severity of loss by New South Wales on Intercolonial Free Trade, £407,021, is mitigated by the economy with which it is proposed to collect the Customs and perform her Postal and Telegraph Services, a difference between Federal proportion of expenses, £667,800 and £1,040,640 her existing expenditure.

Recapitulation of Results found by each of the Three Compilers.

	McILWRAITH.		FYSH.		GRIFFITH.	
	Gains.	Losses.	Gains.	Losses.	Gains.	Losses.
New South Wales	53,400	...	...	34,181	72,000	...
Victoria	26,900	...	...	67,983	...	180,000
Queensland	63,100	...	120,285	...	...	35,000
Western Australia	200	...	...	53,466	...	93,000
South Australia	...	53,000	63,980	...	22,000	...
Tasmania	...	10,800	...	27,562	...	16,000
New Zealand	...	79,800	...	...	...	...

Queensland and South Australia are considerable gainers, because between them they are to abandon only £88,706 of Revenue collected on neighbours' products, while their neighbours abandon £401,297 of Revenue collected on Queensland and South Australian products.

The profit or loss of individual States arising from the Federal system of accounts is not necessarily another lion in the path, and, stripped of their very large proportions by compilations upon the only sound base of an uniform tariff, are not formidable.

The examples of New South Wales and Victoria, Queensland, and of South Australia, to which I have called especial attention, are proofs that the balances which appear in a Federal balance of accounts, whether as loser or gainer, are only apparently so. They are figures only, and do not disclose far-reaching Federal advantages. They are not even the commercial aspect, for that has to be discovered when no arbitrary wall separates consumers from the cheaper products of Tasmania or the superior manufactures of Victoria.

That the cost of administration has been excessive is evident by the retrenchment effected in Victoria, Tasmania, and, lastly, in New South Wales, and therefore it is not unreasonable to accept the smaller estimate of the Convention's Finance Committee of £2,226,000 in preference to that of Sir Samuel Griffith, £2,909,000.