

Bill presented by Mr Bury, and read a first time.

Mr SPEAKER—In accordance with Budget practice, I now call on the Chairman of Committees to take the chair as Deputy Speaker.

Second Reading
(Budget Speech)

Mr BURY (Wentworth—Treasurer)
[8.2]—I move:

That this Bill be now read a second time.

In doing so I present the Budget proposals for the financial year 1970-71.

By these proposals the Government seeks:

- to provide for a large increase in essential expenditures, especially on payments to the States, welfare, development and assistance to industry, including emergency relief for wool-growers hard hit by drought and low prices;
- to make reductions in personal income taxation, especially on lower and middle income earners, estimated to have a value to the taxpayers concerned of \$289m in a full financial year and \$228m in 1970-71; we thereby make good—indeed more than make good—our undertaking to give substantial income tax relief to this large body of people;
- notwithstanding these large commitments, to produce a responsible budget, a balanced budget, a budget shaped to the requirements of an economy that is dynamic and fast-growing—but an economy still threatened by disruptive inflation.

I should like to enlarge upon that last point. In 1969-70 the economy again achieved a high rate of growth. Gross national product at constant prices increased by about 5.5%—this despite the trials and setbacks of rural industry. The number of wage and salary earners increased by no less than 4%. Even though wool prices fell sharply, there was a remarkable increase of 24% in the total value of exports. But the strong lift in activity that lay behind these achievements brought developing stresses. By March, notwithstanding the big inflow of migrants and the entry of more and more married women into the work-force, the labour situation

had become very tight, with job vacancies well above the number of registered applicants for work.

The surge in demand for labour reflected a quickening in demand generally. Consumer spending, which increased by 7.2% in 1968-69, moved up by 9.6% in 1969-70. All branches of private fixed capital expenditure—that is to say, on dwellings, other forms of building and construction, plant and equipment—rose strongly until the final quarter of the year when, through tightening of finance, there was a moderate check to housing starts. Public authority spending also rose strongly throughout the year.

In brief, notably though output was increasing, demand was increasing faster. These are typically the conditions in which inflation breeds. Signs that it was active became more evident as the year went on. Cost and price increases gathered pace. Average weekly earnings rose by about 8% in 1969-70. The consumer price index rose at an accelerating rate throughout the year, reaching an annual rate of growth above 5% in the June quarter.

The end-year downswing in liquidity, reinforced as it was by sharp increases in interest rates, produced a marked monetary tightening, although its severity was moderated to some extent by a revival of capital inflow. The most evident effect it had on the demand situation was seen in housing activity; but there was also some general easing of the labour market. Even so, at the end of June the number of registered applicants for jobs did not exceed 1% of the work-force.

The current year thus began with the economy pretty much at full stretch. Prospects for growth are very good provided the call on resources is kept within reason. Certainly, it is entirely possible that the year will see real gross national product increase again by 5.5% or thereabout*. With immigration flowing strongly, there should be a further large addition—more than 3%—to the work-force. The farm outlook is not encouraging but we can reasonably expect a good rise in non-farm productivity. Our external outlook is promising—in particular, there should be a further large rise in exports. Meanwhile, the fact that Bass Strait oil is coming on stream in a big way will hold down imports quite considerably. Capital inflow has been fairly strong

lately though, of course, we cannot be sure of its trend throughout the year.

It is the demand side that will bear watching. Consumer spending is currently very buoyant and that situation seems likely to continue. Private spending on plant and equipment and non-residential building and construction seems set for continued strong growth—there is a wealth of investment opportunities, and such forward indicators as we have clearly suggest this. The earlier strong upward trend in dwelling construction has been checked for the time being but an upturn there is likely before long.

Herein lies the core of our Budget problem, seen from the economic standpoint. With economic activity running, as it has been, and in all probability will continue to be, close up against the limit of resources, there is an inherent tendency for wages, profits and other forms of income to rise faster than output—on the one hand, giving rise to cost increases and, on the other, generating excessive demand. This is not just a matter of theory; it is borne out by a wealth of experience. Hence, in framing the Budget, we have had to assess most carefully its potential influence on the economy.

There could be no gainsaying the need for a large increase of expenditures in this Budget. From the analysis I shall make later it will be seen that all of the increases we propose are in the high priority class. But the Commonwealth's expenditures, directly or indirectly, add to demand and we have had to scrutinise them carefully from that standpoint. We have also taken as mandatory a sizeable reduction in personal income tax—we propose to meet that obligation squarely and unequivocally. But the increase in disposable incomes that will ensue must tend to stimulate demand.

Plainly, economic prospects being what they are, the Government must ensure that, in its overall effect, the Budget does not give additional impetus to demand. Accordingly, we have avoided any significant acceleration in the rate of increase in domestic outlays and, as the cornerstone of our policy, I am bringing in a balanced Budget—indeed, one in which total receipts will more than cover total expenditure. As overseas expenditures this year will again greatly exceed overseas receipts, this Budget will produce a considerable surplus of domestic receipts over domestic expenditures. From

the standpoint of impact on resources and liquidity that will be all to the good.

It may be said that we could equally have achieved the same Budget result by drastic pruning of expenditures or by postponing personal income tax reform. We do not believe these were practicable alternatives. We have chosen instead to pursue high priority objectives on the expenditure side and to do something decisive on personal income tax; to make this possible, we have decided to introduce a number of taxation measures, which I shall outline presently. Here I may say that they are of kinds that, in general, should have a steadying effect on spending.

THE EXPENDITURE ESTIMATES

Total expenditure this year is estimated at \$7,883m, an increase of \$795m or 11.2%. The increase last year was \$519m or 7.9%. More important for the domestic economy, however, is the fact that the rate of increase in domestic outlay this year—estimated at 11.4%—is not greatly above the increase of 10.7% last year.

The prospective increase in expenditure this year owes much to the fact that, particularly over the last 12 months, the Government has entered into a number of major new commitments. Notable amongst them are the new and much liberalised financial arrangements with the States, but other examples include the improvement of the health scheme, introduction of the tapered means test, and measures to assist primary producers.

All of these increases have importance for the economic and social wellbeing of the community. But having already undertaken these large commitments, we could not, responsibly, put forward further large expenditure proposals at this juncture. Accordingly, the new expenditure proposals which I shall announce presently are estimated to add no more than about \$70m to our expenditures this year. As usual, detailed analyses of the estimates are to be found in statements attached to the Budget Speech.

Payments to the States

Outstanding in this year's estimates is the very large increase in payments to the States. These payments, including the funds required for the State works and housing programmes, are estimated at no less than \$2,708m or \$291m more than last year.

They will absorb one-third of this year's Budget and account for more than one-third of the estimated increase of \$795m in our total expenditures this year. This represents a massive diversion of the nation's material resources to help meet the needs of the State Governments.

An important factor in this increase is the new financial assistance arrangements we have entered into with the States and which commence this year. These will give the States \$70m more Commonwealth assistance in 1970-71 than if the previous arrangements had continued. The financial assistance grants are estimated to increase by approximately \$170m in 1970-71. A further \$10m will be added to these grants under an agreement we have reached with the Premier of Tasmania whereby Tasmania's special grant for 1970-71 will be correspondingly reduced. We shall also be meeting debt servicing charges on \$200m of State debt this year at a cost of \$12m, and on a further \$200m of State debt in each of the next 4 years. This will lead to the formal transfer of \$1,000m of State debt to the Commonwealth in June 1975.

It was agreed at the recent Loan Council meeting that the State works and housing programmes should be increased this year by \$65m, thus bringing them to \$823m. Within this figure, the Commonwealth will be providing, for the first time, an interest-free grant of \$200m that will help to relieve the States of debt charges on their non-revenue-producing works.

Other specific purpose payments to the States are estimated at \$539m or \$69m more than last year; these cover a wide variety of both revenue and capital payments, including \$12m for drought relief assistance to Queensland in continuation of the widely extended measures introduced last year. The Commonwealth will also as usual give sympathetic consideration to any further approaches the States may make for assistance of this nature where the cost involved would place an undue burden on their finances. Over the past 5 years the Commonwealth has provided the States with drought relief assistance totalling \$94m.

Much has been said in the past year about the working of our Federation. May I suggest that the very magnitude of the provision we are making in this Budget for addi-

tional payments to the States is proof of our real desire to ensure effective working of the Federation.

Defence

The Defence Vote proposed is \$1,137m which is 3.1% greater than the 1969-70 expenditure of \$1,103m. Defence expenditure overseas—estimated at \$233m—will be about the same as last year.

During the past year, our national security policies have had particular and continuing attention from the Government. The challenge they present is that of understanding the changes occurring in international relationships, especially as they affect South East Asia and Australia, and of developing defence policies which will serve us in the strategic circumstances of the future. Perception of the long term—indeed of the very long term—is necessary when ordering weapons systems and developing the infrastructure for our forces.

The estimates contain some provision for expenditure on major capital equipment projects for the Services announced in the Budget Speech last year and by the Minister for Defence in March but the full impact of expenditure on these projects will not be felt until next financial year or later. Other major items of equipment are under study. Provision is made for expenditure of \$13m in 1970-71 for the lease of 24 Phantom aircraft from the United States Government. Major works projects include the RAN receiving station at Darwin, the continued development of the Army Aviation Centre at Oakey in Queensland and the development of the airfield at Learmonth in Western Australia.

It is planned to increase the strength of the Permanent Forces during 1970-71 by about 1,400. These additional personnel are required to man new ships and aircraft coming into service, meet operational commitments and provide supporting elements in Australia. Conditions of service are under review and several adjustments in these conditions have already been made.

As to Vietnam, progress in the general security situation has been such that, as announced by the Prime Minister earlier this year, the Government has decided that one Australian infantry battalion and some supporting personnel will be withdrawn. It is planned that this will take place within the next few months.

In respect of our forces in Malaysia and Singapore, we are continuing to develop arrangements required by the situation where British force dispositions are being greatly altered. Our planning is being co-ordinated with the defence policies of the British Government which has pledged itself to retain some forces in the area after 1971 as a contribution to regional security. An amount of \$5.5m will be provided this year under the current programme of defence aid to Malaysia and Singapore, while defence aid for South Vietnam in 1970-71 is estimated at \$3.3m.

Social Welfare

Next to our payments to the States, the largest element in the prospective increase in our expenditure this year is welfare. These expenditures on social services, health services, repatriation, and housing benefits are estimated to increase by \$157m to \$1,820m. Details are given in Statement No. 10. Of this increase, about \$31m relates to decisions I shall detail presently, a further \$35m arises from recent modification of the health scheme and about \$35m from the full-year effects of various measures announced in the 1969-70 Budget or introduced during 1969-70. The balance is due to normal growth in expenditures arising from existing commitments.

AGE, INVALID, WIDOWS' AND SERVICE PENSIONS

The Government proposes to increase the maximum rates of all age, invalid and widows' pensions by 50 cents a week. This will mean that, in terms of the maximum weekly rate of pensions, a married couple who are both pensioners will receive \$27.50 a week. When they are living apart because of illness or infirmity they will receive \$31 a week. A single pensioner will receive \$15.50 a week. A widow with one child will receive at least \$22 a week and a widow without children \$13.75 a week. In addition, supplementary assistance of up to \$2 a week is payable to each eligible pensioner. Persons in receipt of service pensions—which are repatriation benefits—will receive similar pension increases. So will tuberculosis sufferers in receipt of allowances and handicapped persons in receipt of sheltered employment allowances.

SICKNESS BENEFITS

The rate of sickness benefit for adults, married minors and minors without a parent in Australia will be increased after 6 weeks to \$15.50 a week, that is, equivalent to the standard rate of invalid pension. The benefit rate to apply after 6 weeks in the case of an unmarried minor will be \$10 a week. In addition, a supplementary allowance of \$2 a week will be paid where the beneficiary pays rent and is entirely or substantially dependent on his benefit. Persons who are in hospital and have no dependants will not qualify for these increased and additional benefits.

SHELTERED WORKSHOPS

Sheltered workshops incur additional costs in providing training and supervisory staff, doctors, social workers, counsellors and others necessary to help handicapped employees overcome their disabilities. A \$1 for \$1 subsidy will be paid towards the salaries of staff engaged to provide these special services.

It is also proposed to encourage sheltered workshops to graduate more of their employees to work in open industry by paying the organisation a training fee of \$500 for each eligible employee who is placed in open employment for not less than 12 months. This payment will also serve to compensate sheltered workshops for the considerable time and effort spent in training handicapped workers.

It has been found that inability to obtain suitable residential accommodation is one reason why some handicapped people are unable to accept normal employment. It is therefore proposed to extend the \$2 for \$1 capital subsidy now available towards the cost of hostels for handicapped people in sheltered employment, to hostels for those disabled persons who are able to engage in normal employment but still require special accommodation.

REPATRIATION BENEFITS

We propose a number of improvements in repatriation pensions and benefits.

The totally and permanently incapacitated war pensioner is to receive an increase of \$2.00, to raise the pension to \$38.00 a week.

The intermediate rate war pension, payable to those able to work only part-time or intermittently because of a war-caused

disability, will be increased by \$1.50 to \$28.00 a week.

The special compensation allowance, payable to certain of the more severely disabled general rate pensioners, will be increased. The increase is to be \$1.00 a week for those eligible at the 100% level, grading down to 75 cents at the 75% level. The allowance at the 100% level will be \$6.00 a week, bringing the combined payment of allowance and general rate war pension to \$18.00 a week for most of those receiving pensions at the 100% rate.

Benefits for war widows are to be increased. The pension for war widows is to rise by 50 cents to \$15.50 a week, and the domestic allowance that is payable to most war widows will also be increased by 50 cents, to \$8.00 a week. The new maximum level of combined benefits for eligible war widows will thus be \$23.50 a week.

War pensions payable for children of ex-servicemen who have died as a result of war service are to be increased by 60 cents to \$6.00 a week for the first child and by 75 cents to \$5.00 a week for the second and each subsequent child. The rate for a double orphan, that is, a child who has lost both parents, will be increased by \$1.85 to \$12.00 a week.

MENTAL HEALTH INSTITUTIONS

The Government has decided to continue for a further 3 years from 1 July 1970 the provision of assistance towards capital expenditure incurred by the States on mental institutions. The Commonwealth assistance will remain on the basis of one-third of the total expenditure by the States on approved projects.

HOME NURSING SUBSIDY

The Government intends to increase, from 1 September, the subsidy at present payable to approved organisations providing home nursing services. For organisations established before September 1956, the annual subsidy for each nurse over and above the number employed at 30 September 1956 will be increased from \$2,600 to \$3,200. For organisations formed after that date, the subsidy for each nurse employed will be increased from \$1,300 to \$1,600 a year. As at present, the amount of Commonwealth subsidy payable to an organisation will not exceed the amount of

State assistance received by that organisation.

Education

The Commonwealth continues to make a significant contribution to the expansion and improvement of Australia's education services. The greatly improved system of general revenue grants to the States over the next 5 years should enable them to do much more for education which is, of course, one of their major activities. Besides this indirect assistance, Commonwealth expenditures specifically related to education are expected this year to exceed \$312m—which would be an increase of \$63m or 25%.

Much of this Commonwealth expenditure takes the form of specific purpose payments to the States. These are expected to rise this year by 29% from \$148m to about \$191m. The principal items in this category will be—payments for universities \$78m; for the developing colleges of advanced education \$35m; for special purpose unmatched grants for school facilities, technical colleges and teacher training colleges \$48m; and for per capita grants towards running costs of independent schools \$24m.

Schools and technical colleges in the Australian Capital Territory and the Northern Territory will together receive almost \$30m, while grants to the Australian National University and to the Canberra College of Advanced Education will be about \$30m and \$5m respectively.

SCHOLARSHIPS

The programme of Commonwealth scholarships continues to expand; this year there are 61,000 students holding these awards in tertiary, technical and secondary institutions. For 1971 the number of open-entrance university scholarships will be increased by 1,000 to 8,500, in addition to the present 4,000 later-year university awards and 2,500 advanced education awards. In 1971, the number of post-graduate awards for research training will be increased by 50 to 700 and a new category of post-graduate awards for course work leading to masters degrees will be created; there will be 100 of these new awards in 1971. In addition, a number of scholarships will be available to students who enter the new teacher education courses at the Canberra College of Advanced Education when these commence in 1971.

External Aid

All told, the Government will provide over \$200m this year for external aid. Details are given in Statement No. 8. The basis on which financial assistance will be provided to Papua and New Guinea this year has been changed to accord with the recent arrangements to transfer greater responsibility and control over expenditures to elected Ministerial Members and the Administrator's Executive Council in the Territory. The estimates envisage an additional \$11.2m for economic aid to Papua and New Guinea as well as increased aid to various other countries—including in particular Indonesia, South Vietnam, Cambodia, Thailand and the islands in the South Pacific. During the current session legislative authority will be sought for an Australian contribution to the value of \$US10m over the next three years to the Special Funds of the Asian Development Bank.

Australia again ranked among the first three donor countries in the world in 1969 in terms of the percentage of gross national product devoted to official development assistance to poorer countries.

Assistance to Industry

Commonwealth assistance to industry takes a variety of forms including payments to industry, special taxation concessions, and contributions to promotion and research. Last year, Commonwealth assistance under these three heads amounted to \$493m of which payments to industry accounted for \$191m. Further details are given in Statement No. 9.

Commonwealth payments to or on behalf of industry are expected to reach \$272m in 1970-71, \$81m more than last year. Industrial research and development grants are expected to total \$17m, a rise of \$8m. Net expenditure by way of subsidy to shipbuilding is estimated at \$17.6m.

Expenditure relating to rural industries is estimated at \$215m, \$77m more than last year. A payment of \$30.5m in respect of exports from the 1968-69 wheat crop is expected to fall due late in the year. No such payment was necessary last year. Under revised arrangements announced in June by the Minister for Primary Industry, bounties on dairy products are estimated to cost \$45m in 1970-71, \$17.5m more than in 1969-70. There will be a partly

offsetting decrease of \$7m in payments of devaluation compensation to the dairy industry. Devaluation compensation payments to other rural industries are expected to decrease by \$1m. Subsidies to lower the prices of phosphate and nitrogenous fertilisers are expected to cost \$56.5m.

ASSISTANCE TO WOOLGROWERS

Woolgrowers' income fell steeply in 1969-70 because of lower prices for wool and, in some areas, because of drought. Those growers particularly affected by these circumstances, and who are heavily dependent on income from wool, are to be assisted by a one-year scheme of emergency relief. Within a total amount of \$30m, the Commonwealth will make payments to woolgrowers based on the fall in their gross proceeds from wool between 1968-69 and 1969-70 beyond a certain percentage, and subject to a number of conditions. Details will be announced shortly by the Minister for Primary Industry.

The scheme is regarded as an interim measure pending consideration of other possible action appropriate to the longer-term problems of the woolgrowing industry. In particular, the Government is examining the need for reconstruction in the wool industry, including as one aspect of reconstruction the question of growers' indebtedness, and of ways in which the Commonwealth can most effectively assist. The Minister for Primary Industry will submit a report to the Government on these matters. The Government will also examine all aspects of the setting up and operation of the proposed statutory wool marketing authority. These investigations will be pursued as matters of urgency.

Provision is made for Commonwealth expenditure of \$2.9m in 1970-71 towards costs of handling and brokers' administration charges relating to the price averaging plan that the Australian Wool Marketing Corporation Pty Ltd has now commenced to operate. In addition, the Commonwealth has offered to meet for three years any losses incurred by the Marketing Corporation on resale of wool purchased at the end of a price averaging period.

The selling of wool by samples, the properties of which would be scientifically measured and made known to buyers before sale, is considered to offer the prospect of

substantial economies for the woolgrowing industry. We have decided to support a programme of research and trials on pre-sale objective measurement of wool. The estimated cost over a period of about 2 years is nearly \$1.5m, of which about \$650,000 will be spent in 1970-71. Commonwealth contributions towards the costs of wool promotion and research in 1970-71 are expected to total \$29m, compared with \$13m in 1969-70; growers' contributions have been reduced, as from 1 August 1970, from 2% to 1% of the value of wool sold.

The Government has also agreed in principle to guarantee approved borrowings by the Australian Wool Board for the construction and equipping of integrated wool selling complexes.

Advances for Capital Purposes

It is estimated that advances for capital purposes will amount to \$443m, an increase of \$78m.

A large part of this increase comprises an estimated rise of \$52m in advances to Qantas Airways Limited and the Australian National Airlines Commission. These advances are required mainly for the airline re-equipment programmes and are expected to be financed from loans raised overseas for this purpose.

New items in this year's estimates include \$25m as an initial capital subscription to the Australian Industry Development Corporation and \$800,000 as working capital for the new Snowy Mountains Engineering Corporation.

An amount of \$2.4m is provided for expenditure by the Australian Atomic Energy Commission in connection with the proposed nuclear power station at Jervis Bay. A further amount may be required later in the year should there be expenditure under major construction contracts.

A provision of \$60m has been made for War Service Homes, an increase of \$5m over the amount provided last year.

POST OFFICE

An amount of \$240m—\$7m more than last year—will be provided to the Post Office to help finance expansion and renewal of facilities. Towards the same purpose the Post Office expects to provide \$168m from internal sources—mainly de-

preciation funds—making a total for capital requirements of \$408m.

To avoid a Post Office loss this year, and to enable the Post Office to make its contribution to financing the desired capital programme, it is proposed to raise charges to increase receipts by about \$42m in 1970-71 and about \$53m in a full year. The proposed increases cover postal charges, telephone rentals, the telephone connection fee and charges for certain other services. The Postmaster-General will presently give further details.

Even with the increased charges proposed it is expected that postal services will incur a loss this year. Telecommunication services are expected to produce a profit of which part will offset the loss on postal services and part will help to finance capital expenditures.

Post Office policy on the provision of telephone services in country districts has been reviewed. With effect from January 1969 the Post Office will provide rural subscribers with a greater length of line than previously, so reducing the amount subscribers are required to finance. The Postmaster-General will also make a statement in more detail on this.

Other Capital Works and Services

In 1970-71, expenditure on other capital works and services is estimated to total \$247m, an increase of \$54m or 28%.

Capital works in the Northern Territory are estimated to cost an additional \$19m the year and capital works in the Australian Capital Territory an additional \$12m.

Capital expenditure by Commonwealth Railways is expected to increase by \$5m. Construction of a standard-gauge line between Port Augusta and Whyalla will be commenced and expenditure on this project in 1970-71 is estimated at \$3m. An amount of \$230,000 is being provided to enable Commonwealth Railways to commence a detailed survey of the route for a new standard-gauge line between Tarcoola, on the Trans-Australian Railway, and Alice Springs. The Government has approved in principle the construction of this new line, which would replace the existing narrow-gauge railway between Marree and Alice Springs. Construction of the new railway will be subject to the approval of the Government of South Australia.

Other Expenditures

ABORIGINAL ADVANCEMENT

We propose to provide \$10.4m for special Aboriginal advancement programmes in 1970-71. After taking account of the balance in the Aboriginal Advancement Trust Account, an amount of \$11.3m will be available for expenditure this year on these programmes with particular emphasis on housing, health and education. This represents an increase of \$3.6m—47%—over 1969-70 expenditure in this field. Within the total allocation of \$11.3m, grants to the States will increase by 21% to \$7m.

MARRIED WOMEN TRAINING SCHEME

In accordance with the undertaking given in the Prime Minister's Election Policy Speech provision has been made in the estimates for the introduction of a vocational training scheme for married women and adult single women who, because of changes in their domestic responsibilities, wish to enter or re-enter the work-force. Details of this scheme will be announced shortly by the Minister for Labour and National Service.

GRANTS IN SUPPORT OF PERFORMING ARTS

Grants in support of the Performing Arts will be increased by 45% to a total of \$3.85m. The Australian Council for the Arts has continued to provide valuable assistance as the Government's financial agent and adviser in this field. Details of the assistance to be provided in 1970-71 will be announced as soon as possible.

There are a number of other figures which will be of interest to honourable members but I feel it is not necessary to read them out here. Accordingly they will be incorporated in Hansard.

THE REVENUE ESTIMATES

I turn now to the revenue estimates for 1970-71 and the measures for raising more revenue that I mentioned earlier.

On the basis of existing rates of taxation it is estimated that receipts in 1970-71 would total \$7,922m, an increase of \$840m or 11.9%. This estimate is based on the expectation that 1970-71 will see a continued strong rise in incomes and general buoyancy in spending.

I said at the outset that the Government judged the needs of the economic situation to be such that, overall, we should aim to balance the Budget—indeed to budget for a small surplus. To run significantly into deficit would be to step on the accelerator when the safe speed limit has already been reached.

Total expenditure in 1970-71 is estimated to be \$7,883m. This is \$39m less than the estimate of revenue I have just cited. But I have already said that the Government proposes to reduce personal income taxation at an estimated cost to revenue in 1970-71 of \$228m. Especially on grounds of equity, we consider a reduction of this magnitude to be justified and we do not think it should any longer be deferred. Obviously, therefore we have to raise additional revenues if a balanced budget, which I have described as the corner-stone of our policy, is to be achieved.

At this point also I wish to state that the Government will introduce, as part of the Budget, legislation to impose receipts duties, the revenue from which will be for the benefit of the States. The history of these receipts duties is well known to Honourable Members. It should be enough for me to say here that, unless receipts duties are imposed by Commonwealth legislation, there will be a heavy loss of revenue to the States with crippling effects on State Budgets.

Customs and Excise Duties

We propose to increase the rates of customs and excise duty on cigarettes and cigars by 50 cents per lb and on manufactured tobacco by 20 cents per lb. It is estimated that these increases in duty will yield \$20m in 1970-71 and \$31m in a full year.

Along with tobacco, alcoholic beverages have been a traditional source of revenue both in Australia and in many other countries. In Australia, however, there has been one type of alcoholic beverage which, with a minor exception, has not been subject to excise duty at all. I refer here to wine. Consumption of wine has been rising strongly from year to year and, in the light of this trend, the evident profitability of wine production, and the heavy taxation levied on other forms of

alcoholic beverage, we have decided that a moderate excise duty of 50 cents per gallon should be placed on locally produced grape wine and that there should be a corresponding increase of 50 cents per gallon in customs duty on imported wine. This is equivalent to a duty of just over 8 cents a bottle. The excise duty will not be levied on small amounts of wine produced by 'home wine producers' for their own use. Concurrently, we propose to remove the duty on spirit used to fortify wine. It is estimated that these customs and excise duties on wine will yield \$12.7m in 1970-71 and \$15.2m in a full year. The removal of duty on spirit used to fortify wine is expected to reduce revenue by \$850,000 in 1970-71 and \$1m in a full year.

Finally, within the customs and excise field, we propose to increase duties on certain petroleum products currently subject to excise duty. Demand for petroleum products has been growing strongly. Moreover, I think it is fair to say that the taxation of such products in Australia is much lighter than in most comparable countries. We propose to increase by 3 cents a gallon the excise and customs duty on motor spirit, automotive distillate used in road vehicles operating on public roads, aviation turbine fuel and aviation gasoline. The yield in 1970-71 is estimated at \$63m and in a full year at \$79.6m.

Sales Tax

The Government has decided to increase the rate of sales tax on goods currently in the 25% class to 27½%. Cars and station wagons, radios, television sets, etc., are the principal goods affected. The estimated increase in revenue in 1970-71 is \$23m and, in a full year, \$29m.

Company Tax

In 1969-70, company income increased by about 14%. As in the two previous years, this was a faster increase than occurred in total wages and salaries. During 1969-70 also, non-farm business investment increased faster than consumer spending and competed particularly vigorously for available resources.

The Government appreciates that gains in productivity depend in large measure on business investment and that prospects of

good profits have a big part in incentives to investment. Nevertheless, in current circumstances in which investment opportunities abound and profits are generally high, we think it reasonable to levy a higher tax on company profits and thus help to raise revenue to bring the Budget into balance. This will, moreover, spread more widely throughout the community the benefits of the generally profitable outcome of companies' operations.

Our proposal is to add 2.5 cents in the dollar to the rates on taxable incomes of companies. The general company tax—on all except the first \$10,000 of taxable income—would then become 47.5 cents in the dollar for public companies and 42.5 cents for private companies. It is estimated that the proposed increases, which will apply to incomes derived by companies during the income year 1969-70, will add \$76m to revenue in 1970-71.

I might add that the investment income of a superannuation fund that does not invest a sufficient proportion of its assets in public securities is taxed at the same rates as the mutual income of a life insurance company. As the latter rates are being increased by 2.5 cents in the dollar, the rates for a superannuation fund whose investment income is taxed in 1970-71 in this way are being increased by a corresponding amount.

Miscellaneous Charges

The licence fee for radio communication services, licensed under the Wireless Telegraphy Act, has remained unchanged at \$2 a year since 1924. Proposed increases in the fee for most services, to either \$6 or \$10 a year depending on the type of service licensed, are expected to yield additional revenue of \$460,000 in 1970-71 and \$620,000 in a full year. The Postmaster-General will give details in a separate statement.

To help meet the rising cost of providing marine navigation aids, it is proposed to increase charges to shipping—known as light dues—from 18 cents to 20 cents per net registered ton per quarter. This is expected to yield additional revenue of \$450,000 in 1970-71 and \$600,000 in a full year.

In accordance with our policy that the air transport industry should progressively

meet a greater proportion of the costs incurred in providing and operating airports and airway facilities, it is proposed to increase air navigation charges by 10%, with effect from January 1971. The increased charges are expected to yield additional revenue of \$850,000 in 1970-71 and \$1.8m in a full year.

Personal Income Taxation

The increases in taxation and charges I have outlined are expected to yield, in total, \$196m in 1970-71. I now come to personal income taxation.

On other occasions the Government has expressed its concern at the way in which the present graduated rate scale has shifted a growing share of the weight of taxation on to personal income taxpayers. Between 1960-61 and 1969-70, for example, the proportion of our total revenue collected by way of pay-as-you-earn collections from wage and salary earners increased from 20% to 29%. In his Policy Speech last year, the Prime Minister stated our intention to improve the situation and the Governor-General also referred to this matter in his speech at the opening of Parliament last February.

With rising incomes the present scale has brought about a relatively rapid increase in personal income taxation. The revenue so obtained was needed to meet our commitments, but there is no doubt that, in the process, inequity has grown into the system. In real terms there have been increases in effective rates of tax at most levels of taxable income, but the increase has not been the same at all levels, and that is the particular source of inequity which concerns us.

To provide relief on a equitable basis it has been necessary to prepare a new general rate scale. As is at present the case, tax payable will be the sum of the amounts calculated at the general rates and a 2½% levy. Tables will be made available in which tax payable under the new and the old scales is compared at various levels of taxable income. The new rates will apply to 1970-71 incomes and a new scale of tax instalment deductions from wages and salaries will operate from 1 October 1970.

On taxable incomes up to \$10,000 there will be a reduction of some 10% in tax payable. Above \$10,000 the percentage

reduction in tax will taper off, reaching 4.4% at \$20,000 and cutting out altogether at \$32,000.

In deciding on this kind of revision, we have had regard to the way in which the incidence of the effective burden of tax has been altered by past rises in incomes. Effective tax rates have increased more on lower and middle incomes than on higher incomes, and in giving some relief from the effects of the past trends, there is a clear case for ensuring that most of the relief will go to lower and middle income earners. In the result there will be increases in the take-home remuneration in the income ranges where it is most needed. This should serve to strengthen incentives for people in those groups; this is an objective to which we attach great importance.

For some time past, we have had the whole of our taxation system under close review. It became quite apparent at an early stage of that review that we should give first priority to relieving the burden of income tax on the middle and lower income groups. Now that we have honoured our promise to do this, we shall be looking in more detail at other aspects of our taxation system.

AGE ALLOWANCE

We propose to increase the relief given through the income tax age allowance to residents of Australia who are of qualifying age, that is, sixty-five years for men and sixty for women. At present no tax is payable by an aged person whose taxable income does not exceed \$1,300 or by a married aged person unless the combined taxable income of husband and wife exceeds \$2,262. In line with the proposed increase in maximum pension rates, these exemption levels will be raised to \$1,326 and \$2,314 respectively. Some further relief will also be given by adjustments to the 'shading-in' arrangements which limit the tax payable by an aged person with a taxable income somewhat greater than the exemption level. The changes in the age allowance are estimated to cost \$2m in 1970-71 and \$3m in a full year.

THE BUDGET AND THE ECONOMY

Let me now sum up the Budget. After bringing to account the changes in taxation and charges I have described, total receipts

in 1970-71 are estimated to be \$7,887m, or 11.4% more than last year. Since total expenditure is estimated at \$7,883m the Budget shows a surplus of \$4m.

Within this overall result there would, on present figuring, be a surplus of domestic receipts over domestic expenditure of the order of \$550m which would be about \$50m greater than the actual domestic surplus in 1969-70.

It is of course not possible, at this early stage of the financial year, to predict with certainty and precision what the ruling trends and events will be through the months ahead. We know something of the forces now at work in the economy and can form judgments as to their future strength and duration. But other forces and tendencies not now evident are bound to emerge and assert themselves in one direction or another as time goes on. For these reasons it would be rash to claim that the Budget will prove to be exactly suited to the requirements of the Australian economy through 1970-71. In any case, strong and pervasive though its effects can be, the Commonwealth Budget does not determine the whole course of our economic affairs. A multitude of initiatives and decisions on the part of others have a share in that. In particular, excessive demands for increases in money wages and other incomes—especially when pushed ruthlessly in conditions of full employment—could jeopardise prospects of balance growth. There is a need for responsibility and realism on the part of all in the community here; the problem of containing cost-push inflationary pressures is a large one confronting all Western economies and it cannot be tackled effectively if there is not a general will to do so. Certainly, no Budget framed consistently with a full employment policy can do the whole job.

That being said, however, in the light of our present knowledge we have formed the view I have described earlier as to prospects for the year and have shaped our budgetary scheme accordingly. In general, we see the probability of further strong growth, the one exception to this being the rural sector where highly adverse conditions could to some extent offset the rise in both output and demand which is likely to occur elsewhere. There has been some check in recent months

to the over-expansive conditions of the preceding period. We do not want those conditions to return—as they undoubtedly could in the absence of restraint.

Whilst, therefore, we are in no sense trying, through the Budget, to slow down the rate of growth, we are seeking to ensure that the Budget will not add impetus to demand in general. We do not think it will. Domestic outlays have been kept to much the same rate of increase as last year while the net effect on demand of the taxation changes will not be significant. Moreover, we calculate that the domestic surplus for which it provides will work against the development of excessive liquidity. Perhaps I could put it we have sought to make this a precautionary Budget but not a repressive one.

CONCLUSION

Implicit in these financial proposals is a belief that we now have a unique opportunity in Australia to promote not only strong growth but continuous growth, varied, rich and self-enhancing growth. It must be the highest aim of economic policy to preserve and develop that opportunity. In introducing a balanced Budget we have kept firmly in mind the need to help create conditions under which sound economic growth may proceed.

In this Budget we have sought to assess the needs of the nation as a whole. In doing so, we have made provisions which secure to the State Governments a larger and growing share of our gross national product. At the same time this Budget helps to achieve other great national objectives in important areas such as defence, social welfare and the economic welfare of industry—including our great woolgrowing industry that is currently beset by special problems.

Finally, we have made a great effort in this Budget to provide substantial income tax relief to those in the lower and middle income groups. In doing so we have been concerned both to relieve the inequity which had developed and to stimulate initiative, thus promoting conditions which are significant also for our future economic growth. The opportunities are there if we all accept our responsibilities as members of this society.

I commend the Budget to honourable members.

STATEMENT No. 1—BUDGET ESTIMATES, 1970-71

The Budget estimates for 1970-71, in 'conventional' terms provide for:—

- .. an increase of \$795 million, or 11.2 per cent, in Commonwealth expenditures, following an increase of \$519 million, or 7.9 per cent, in 1969-70;
- .. an increase of \$806 million, or 11.4 per cent, in Commonwealth receipts, after allowing for new revenue measures announced in the Budget Speech, which are estimated to reduce receipts by a net \$34 million in 1970-71. In 1969-70 Commonwealth receipts increased by \$897 million, or 14.5 per cent, and that increase included the effects of measures announced in the Budget Speech for 1969-70 which were estimated to reduce receipts by a net \$14 million in that year; and
- .. a small surplus of \$4 million. The deficit of \$7 million in 1969-70 was \$379 million smaller than the deficit in the preceding financial year.

In national accounting form, the estimates imply:—

- .. an increase of 11.3 per cent in total outlays, following an increase of 8.5 per cent in 1969-70;
- .. an increase of 11.4 per cent in outlays *within* Australia, following an increase of 10.7 per cent in 1969-70. Expenditures on goods and services and transfer payments and net advances within Australia are estimated to increase by 11.4 per cent and 11.3 per cent, respectively, following increases of 8.9 per cent and 11.4 per cent in 1969-70;
- .. an increase of 10.1 per cent in Commonwealth outlays *overseas*, in contrast with the decline of 13.8 per cent in 1969-70; and
- .. an increase of 11.9 per cent in receipts on the basis of existing rates of taxation and other charges, and 11.5 per cent after taking account of the revenue measures announced in the Budget Speech. In 1969-70 receipts rose by 15.1 per cent.

In 1970-71 it is estimated that the *domestic* surplus will increase by about \$50 million to about \$550 million; in 1969-70 the domestic surplus increased by about \$300 million to \$500 million.

THE ECONOMIC CONTEXT

The Budget for 1970-71 has been prepared in the expectation that consumer and private business spending will continue to increase strongly in 1970-71. It is expected that gross national product at constant prices will increase at about the same rate in 1970-71 as in 1969-70.

In 1969-70 gross national product at constant prices increased by 5.5 per cent. There was continued very vigorous expansion in the gross product of the non-farm sector, but a setback in the rural sector was a retarding factor in the overall growth of the economy. Nonetheless, the economy's growth rate in 1969-70 was about the same as the average achieved in the preceding five years.

Estimates of the main components of gross national product and gross national expenditure in 1969-70 are given in detail in the document 'National Income and Expenditure, 1969-70' presented with the Budget Papers. In current price terms, these estimates show the following main changes from 1968-69:

- .. an increase of 10.7 per cent in gross national product at factor cost, comprising an increase of 12.6 per cent in the gross value of non-farm product and a decrease of 8.4 per cent in the gross value of farm product;
- .. an increase of 9.2 per cent in gross national expenditure, including increases of 9.6 per cent in personal consumption, 14.6 per cent in private gross fixed investment in housing, 8.0 per cent in other private gross fixed investment and 8.3 per cent in public expenditure on goods and services; and
- .. a decrease from \$359 million in 1968-69 to \$11 million in 1969-70 in the excess of imports over exports of goods and services.

Also, in 1969-70:

- .. the growth in money wages and prices steepened;
- .. the labour market tightened, although there was a moderate easing in the June quarter;
- .. monetary stringency and higher interest rates had some effects in steadying down surging demand towards the end of the year—the effects were most notable in dwelling construction;
- .. there was an exceptionally large increase in exports.

In 1970-71 gross national product at constant prices seems likely, on present indications, to increase by about 5.5 per cent. Average employment in 1970-71 is expected to increase by a little more than 3 per cent; the rise in non-farm productivity is expected to be a little less than 3 per cent. As usual, considerable uncertainty attaches to the likely course of farm output but this forecast takes account of the recent deterioration in seasonal conditions. The forecast increase in gross national product is in line with the strengthened underlying rate of growth evident in the economy in recent years.

Demand seems set to rise strongly in 1970-71. In the light of recent and prospective trends in personal disposable income, consumer spending seems likely to continue buoyant in the year ahead. Gross private fixed investment on plant and equipment and on non-residential building and construction is expected to continue to rise strongly. Gross private fixed investment in dwellings is expected to reverse its recent easing tendency as the current half-year goes on. The financial position of the State sector will facilitate a very substantial lift in its current and capital expenditures.

In recent years the rate of increase in average weekly earnings has accelerated from year to year; it has been assumed, however, that in the current year the rate of increase will be less than in 1969-70. Nonetheless, the rate of increase assumed for the purpose of setting down a figure for pay-as-you-earn tax collections (7 per cent) is a very high one reflecting, in part, the high level *already* attained by average weekly earnings in relation to their average level in 1969-70.

Increases in Budget expenditures, including payments to the States and provisions for additional benefits and services in the various fields referred to in the Budget Speech, will contribute substantially to the growth of demand and activity within the economy. The reduction in personal income taxation will also add to capacity to spend within the economy. In the light of prospective trends in public and private spending and after taking account of the proposed increases in Commonwealth expenditures and reduction in personal income taxation, excessive pressures on resources could be expected if a sufficient degree of counteraction to the expansionary effects of those Budget provisions was not taken. Accordingly, a range of taxation increases is provided for in the Budget to produce a small Budget surplus.

'CONVENTIONAL' BUDGET FIGURES

The following table sets out in 'conventional' form the Budget estimates for 1970-71 and actual expenditures and receipts in 1969-70.

	1969-70			1970-71		
	Actual	Increase		Estimate	Increase	
	\$ million	\$ million	Per cent	\$ million	\$ million	Per cent
Expenditures	7,088	+ 519	+ 7.9	7,883	+ 795	+ 11.2
Receipts	7,081	+ 897	+ 14.5	7,887	+ 806	+ 11.4
Deficit (-) or Surplus (+)	- 7	+ 379		+ 4	+ 11	

The estimates for 1970-71 include provision for the new expenditure proposals announced in the Budget Speech. These new measures account for about \$70 million of the estimated increase in expenditure of \$795 million in 1970-71. Of the balance, about \$300 million arises from the full-year effects of measures announced in the 1969-70 Budget and new commitments entered into during 1969-70. Among the items in this latter class are the new financial assistance arrangements entered into with the States; the increase in State works and housing programmes and the associated introduction of capital grants to the States; the new medical benefits plan; and the establishment of the Australian Industry Development Corporation. The balance of the increase in expenditure, over \$400 million, arises from commitments previously entered into by the Commonwealth.

The main elements in the estimated increase in expenditures in 1970-71 and in the actual increase in 1969-70 are as follows:—

	Change 1969-70 on 1968-69		Estimated Change 1970-71 on 1969-70	
	\$ million	Per cent	\$ million	Per cent
Payments to or for the States and Works and Housing programmes	+ 249	+ 11.5	+ 291	+ 12.1
National Welfare Fund and Repatriation Services	+ 192	+ 13.3	+ 148	+ 9.0
Defence Services	- 62	- 5.3	+ 34	+ 3.1
Commonwealth Payments to Industry ..	- 21	- 10.0	+ 81	+ 42.3
Advances for Capital Purposes	+ 42	+ 12.9	+ 78	+ 21.3
Other Capital Works and Services	+ 3	+ 1.8	+ 54	+ 28.0
Other Expenditure	+ 24	+ 7.1	+ 45	+ 12.2
Departmental Running Expenses	+ 68	+ 16.9	+ 44	+ 9.4
External Economic Aid (including Papua and New Guinea)	+ 16	+ 11.4	+ 13	+ 8.4
Territories (excluding Papua and New Guinea)	+ 11	+ 14.6	+ 12	+ 14.6

The main feature of the expenditure estimates is the very large prospective increase in payments to or for the States and works and housing programmes, which are estimated to increase by \$291 million, or over 12 per cent in 1970-71. These items together represent 34.4 per cent of Commonwealth expenditure—that is, about a third of the Commonwealth Budget. A major factor contributing to the large estimated increase in these expenditures in 1970-71 is the revision to the financial arrangements with the States and the increase in Loan Council borrowing programmes agreed to with the States.

The payment to the National Welfare Fund and expenditure on repatriation services is another large group of expenditures accounting for 22.7 per cent of total Commonwealth expenditures. They are estimated to total \$1,786 million in 1970-71, an increase of \$148 million, or 9 per cent. Measures announced in the Budget Speech are estimated to account for \$29 million of this increase, the new medical benefits plan, which was announced during 1969-70, for \$35 million and the full-year effects of measures announced in the 1969-70 Budget for a further \$30 million.

The increase in expenditure on defence services is estimated to amount to \$34 million, or 3.1 per cent, bringing total expenditure in this field to \$1,137 million in 1970-71. Expenditure on defence services is estimated to amount to 14.4 per cent of total Commonwealth expenditure in 1970-71.

Commonwealth payments to industry are estimated to increase by \$81 million, or 42.3 per cent. The proposal announced in the Budget Speech to provide emergency assistance to wool growers is estimated to cost \$30 million in 1970-71, increased assistance to the dairy industry announced during 1969-70 is estimated to cost an additional net \$11 million in 1970-71 and it is estimated that a payment of \$31 million will be made to the Wheat Industry Stabilisation Fund in respect of the 1968-69 wheat crop. Further information on Commonwealth payments to industry is set out in Statement No. 9.

	1969-70			1970-71		
	Actual	Change on 1968-69		Estimate	Change on 1969-70	
	\$ million	\$ million	Per cent	\$ million	\$ million	Per cent
Domestic outlay ..	6,596	+ 638	+ 10.7	7,346	+ 750	+ 11.4
Overseas outlay ..	517	- 83	- 13.8	569	+ 52	+ 10.1
Total outlay	7,113	+ 555	+ 8.5	7,915	+ 802	+ 11.3
Total receipts	7,106	+ 934	+ 15.1	7,920	+ 814	+ 11.5
Deficit (-) or Surplus (+)	- 7	+ 379		+ 4	+ 11	

Commonwealth outlays *overseas*, which declined by 13.8 per cent in 1969-70, are estimated to increase by 10.1 per cent in 1970-71.

Domestic outlays, which tend to add to demand within the economy, are estimated to increase by 11.4 per cent, slightly more rapidly than in 1969-70.

On the basis of existing rates of taxation and other charges, total receipts, in national accounting terms, are estimated to rise by \$849 million or 11.9 per cent in 1970-71. The new measures proposed in the Budget are estimated to reduce receipts by a net \$36 million in 1970-71 and a net \$57 million in a full year. After taking these measures into account, total receipts are estimated to increase by \$814 million or 11.5 per cent in 1970-71.

Economic prospects as seen prior to the Budget are affected by new measures but not by the increase in receipts at existing rates of taxation—the latter would be built into any pre-Budget assessment of prospects. The *net* effect of the new revenue measures proposed in this Budget on aggregate spending is, however, expected to be very small.

THE ESTIMATED BUDGET OUTCOME

In both the 'conventional' classification and the national accounting classification it is estimated that Commonwealth receipts will exceed expenditures by \$4 million in 1970-71. In 1969-70 there was a small deficit of \$7 million.

It is estimated that the net result of Commonwealth receipts and expenditures *within* Australia will be a surplus of about \$550 million in 1970-71, or about \$50 million more than in 1969-70. Unlike 1969-70, however, it appears that, as a result of other factors, there will be a relatively large build-up in liquidity by the end of the first half of 1970-71 so that, though the Commonwealth's domestic financial transactions will again draw in funds in the latter half of the year, this should lessen the possibility of severe monetary stringency towards the end of this period.

Financing transactions and prospects for liquidity are the subject of Statement No. 4.

STATEMENT No. 2—ESTIMATES OF EXPENDITURES, 1970-71

In 1970-71, it is estimated that Commonwealth expenditures will increase by \$794,846,000 or 11.2 per cent to \$7,882,708,000.

The estimates for 1970-71 are compared in summary form with actual expenditures in 1968-69 and 1969-70 in the following table.

Item No.		1968-69 Actual(a)	1969-70 Actual(a)	1970-71 Estimate	+ Increase - Decrease on 1969-70
		\$'000	\$'000	\$'000	\$'000
1	Defence Services(b)	1,164,697	1,103,060	1,136,988	+ 33,928
2	Payments to or for the States and Works and Housing Programmes ..	2,167,224	2,416,615	2,708,109	+ 291,494
3	National Welfare Fund	1,162,350	1,341,799	1,472,865	+ 131,066
4	Repatriation Services	284,421	296,704	313,494	+ 16,790
5	Debt Charges	111,519	108,767	103,866	- 4,901
6	Departmental Running Expenses ..	398,909	466,477	510,290	+ 43,813
7	Territories (excluding Papua and New Guinea)	73,286	83,972	96,266	+ 12,294
8	External Economic Aid (including Papua and New Guinea)	137,651	153,308	166,210	+ 12,902
9	Commonwealth Payments to Industry	211,928	190,840	271,551	+ 80,711
10	Other Expenditures	343,399	367,672	412,623	+ 44,951
11	Advances for Capital Purposes ..	323,832	365,480	443,153	+ 77,673
12	Other Capital Works and Services ..	189,819	193,170	247,294	+ 54,124
	Total Expenditures	6,569,033	7,087,863	7,882,708	+ 794,846

(a) Some figures for 1968-69 and 1969-70 have been adjusted for accounting changes to place them on a basis comparable with the estimates for 1970-71.

(b) Includes payments financed or to be financed under credit arrangements with the United States of America: 1968-69 actual \$91,212,000; 1969-70 actual, \$46,915,000; 1970-71 estimate, \$77,630,000.

Tables setting out the composition of the various items of expenditure and notes on the main variations follow,

ITEM NO. 1—DEFENCE SERVICES

	1968-69 Actual(a)	1969-70 Actual(a)	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Defence—				
Civil Salaries	5,262	6,568	7,685	+ 1,128
Administrative Expenses and General Services	2,756	2,763	3,112	+ 349
Recruiting Campaign	1,611	1,775	1,836	+ 61
Defence Aid for Malaysia and Singapore	6,243	8,203	5,500	- 2,703
Defence Aid for South Vietnam .. .. .	.. .. .	.. .. .	3,304	+ 3,304
Accommodation and Technical Facilities	2,117	3,825	1,080	- 2,745
Other	1,089	306	1,204	+ 898
Total	19,078	23,440	23,724	+ 284
Navy—				
Service Pay and Civil Salaries	87,633	96,547	103,467	+ 6,920
Administrative Expenses and General Services	12,249	14,478	16,003	+ 1,525
Naval Construction	47,250	33,131	14,154	- 18,977
Aircraft Purchase and Manufacture	4,241	4,114	10,237	+ 6,123
Ships and Aircraft—Repairs and Maintenance	13,062	15,695	16,332	+ 637
General Stores	53,000	55,492	60,162	+ 4,670
Accommodation and Technical Facilities	12,456	19,644	20,593	+ 949
Other	2,436	2,038	2,062	+ 24
Total	232,327	241,140	243,010	+ 1,870
Army—				
Service Pay and Civil Salaries	179,948	204,558	216,993	+ 12,435
Administrative Expenses and General Services	36,798	41,022	42,402	+ 1,380
Forces Overseas (Other than Pay)	25,064	23,823	21,846	- 1,977
Arms, Armament and Equipment	129,953	102,056	89,931	- 12,125
Accommodation and Technical Facilities	32,851	31,370	35,775	+ 4,405
Arms, Armament—Repairs and Maintenance	6,007	6,557	6,942	+ 385
Total	410,621	409,386	413,889	+ 4,503
Air—				
Service Pay and Civil Salaries	91,730	102,351	108,157	+ 5,806
Administrative Expenses and General Services	21,661	21,025	21,604	+ 579
Forces Overseas (Other than Pay)	19,264	19,211	22,025	+ 2,814
Aircraft Purchase, Manufacture and Lease	136,470	55,066	46,840	- 8,226
Equipment and Stores	70,063	66,183	74,354	+ 8,171
Aircraft and Other Equipment—Repairs and Maintenance	9,452	11,323	11,200	- 123
Accommodation and Technical Facilities	33,919	26,003	28,611	+ 2,608
Total	382,559	301,162	312,790	+ 11,629
Supply—				
Civil Salaries	9,442	10,814	12,052	+ 1,238
Administrative and Operational Expenses	3,016	2,822	2,899	+ 77
Defence Research and Development Establishments—				
Civil Salaries	25,518	26,265	28,878	+ 2,613
Administrative and Operational Expenses	15,615	15,423	14,493	- 930
Furniture Removals, Vehicles and Storage	9,107	10,535	10,987	+ 452
Government Factories—Maintenance of Production Capacity, etc.	8,097	6,932	9,237	+ 2,305
Machinery and Plant	8,330	9,706	9,804	+ 98
Accommodation and Technical Facilities	8,904	10,418	12,659	+ 2,241
Antarctic Division	2,535	2,442	2,640	+ 198
Reserve Stocks	2,453	1,177	1,290	+ 113
Total	93,017	96,534	104,940	+ 8,406
General Services—				
Government Contribution to D.F.R.B. Fund	12,503	14,974	18,000	+ 3,026
Interest on Credit Purchases	11,885	13,076	16,340	+ 3,264
Other	2,708	3,349	4,295	+ 947
Total	27,096	31,399	38,635	+ 7,237
Total Defence Services(b)	1,164,697	1,103,060	1,136,988	+ 33,928

(a) Some of the figures for 1968-69 and 1969-70 have been adjusted for accounting changes to place them on a basis comparable with the estimates for 1970-71.

(b) Includes amounts financed or to be financed under credit arrangements with the United States of America.

Total expenditure on Defence Services is estimated to increase in 1970-71 by a net \$33,928,000, or by 3.1 per cent. Estimated increases in expenditure include \$30,132,000 for pay and salaries, \$12,841,000 for increased stores for the R.A.N. and R.A.A.F. and \$7,458,000 for accommodation and technical facilities. The estimated increase in expenditure on pay and salaries reflects the cost of 1969-70 awards, determinations and approvals and the forecast increases in the strengths of the Permanent Forces and civilian staffs of departments in the Defence Group. Expenditure on Naval ship construction is estimated to decrease by \$18,977,000, expenditure on arms, armament and equipment for the Army by \$12,125,000 and expenditure on the purchase, manufacture and lease of aircraft for the R.A.A.F. by \$8,226,000.

Provision has been made for estimated increases in the strengths of the Permanent Forces, as follows:

			Navy	Army	Air Force
Strengths at 30 June 1970	..	..	17,304	46,943	22,642
Estimated strengths at 30 June 1971	..	..	17,820	47,760	22,700

Defence

Salaries are estimated to increase by \$1,120,000; this is mainly attributable to a forecast increase in civilian staff and to the full year effect of Public Service salary increases awarded in 1969-70. The estimate for defence aid is \$8,804,000 as compared with expenditure of \$8,203,000 in 1969-70. While a decrease of \$2,703,000 is estimated in defence aid to Malaysia and Singapore, reflecting a tapering off of projects within the current programme of defence aid for these countries, the estimates for 1970-71 include a provision of \$3,304,000 for defence aid to South Vietnam. The reduction of \$2,745,000 in expenditure on accommodation and technical facilities is mainly on account of the approaching completion of construction of facilities for the Joint Defence Space Research Facility near Alice Springs.

Navy

Expenditure on pay and salaries is estimated to increase by \$6,920,000, and expenditure on aircraft purchase and manufacture by a net \$6,123,000 including part of the cost of purchasing ten additional Skyhawks from the United States Navy. A deposit of \$400,000 has also been provided for two HS748 aircraft to be purchased during 1970-71 for the R.A.N. Expenditure on accommodation and technical facilities is estimated to increase by a net \$949,000, including increases of \$914,000 for expenditure on new works proposals and \$579,000 on repairs and maintenance.

The estimated decrease of \$18,977,000 in expenditure on Naval construction reflects the approaching completion of the current shipbuilding programme. The new programme, which includes five new Naval vessels, will not entail large expenditure this year.

Army

Expenditure on pay and salaries is estimated to increase by \$12,435,000 mainly as a result of award variations granted in 1969-70 and the forecast increase in the strength of the Australian Regular Army. The estimated increase of \$4,405,000 in expenditure on accommodation and technical facilities includes increases of \$1,329,000 for repairs and maintenance of buildings, etc., \$1,216,000 for increased provision of married quarters under the Commonwealth-State Housing Agreement, \$1,102,000 for the acquisition of sites and facilities and \$447,000 for increased expenditure on new works. These increases are largely offset by an estimated reduction of \$12,125,000 in expenditure on arms, armament and equipment.

Air

Estimated increases in expenditure include \$8,171,000 in expenditure on equipment and stores, \$5,806,000 on pay and salaries, \$2,608,000 on accommodation and technical facilities and \$2,814,000 on forces overseas. The forecast increase of \$8,171,000 in expenditure on equipment and stores for the R.A.A.F. includes \$6,616,000 for spares and support equipment for the 24 F4E Phantom aircraft being leased from the United States Government. Award increases and the forecast increases in the strengths of the Permanent Air Force and in civilian staff account for the estimated increases in expenditure on pay and salaries. The estimate of expenditure on accommodation and technical facilities includes a decrease of \$1,173,000 for married quarters for the R.A.A.F., which is more than offset by increases of \$2,721,000 for new works and \$783,000 for repairs and maintenance. The estimate of \$46,840,000 for expenditure on the purchase, manufacture and lease of aircraft includes provision for expenditure on new projects, including purchases of medium lift and utility helicopters and leasing of the 24 Phantom aircraft; but, because of a prospective decline in payments in 1970-71 for existing projects, particularly for Mirage and F111-C aircraft, a net decrease of \$8,226,000 is estimated.

Supply

It is estimated that there will be a net increase in expenditure of \$8,406,000. Expenditure on salaries is estimated to increase by \$3,851,000 of which \$2,613,000 is for defence research and development establishments and \$1,238,000 for the remainder of the Department. An increase of \$2,305,000 has been made in the provision for maintenance of production capacity and additional working capital for Government factories. The main elements of this are an additional \$2,262,000 for production development of a number of projects—notably Project 'N' which involves the development of two fixed-wing light aircraft prototypes and for which \$2,300,000 is being provided in 1970-71—and an additional \$417,000 for reserve capacity in the factories. Expenditure on accommodation and technical facilities is estimated to increase by \$2,241,000 of which \$1,649,000 is for new works.

General Services

Interest on Defence loans raised in the United States of America to finance purchase of defence equipment is estimated to increase by \$3,264,000. The estimated increase of \$3,026,000 in the Government's contribution to the Defence Forces Retirement Benefits Fund reflects a general increase in payments of pensions, gratuities and other payments under the *Defence Forces Retirement Benefits Act 1948-1970*.

Defence Expenditure Overseas

Defence expenditure overseas is estimated to be \$233,000,000 in 1970-71 against actual expenditure of \$234,000,000 in 1969-70.

During 1969-70 payments continued on current aircraft projects such as Tracker and Skyhawk for the R.A.N. and the F111-C, Orion, Mirage and Macchi for the R.A.A.F., on other capital items including the Charles F. Adams class (DDG) destroyers and the Oberon class submarines, and on the maintenance of forces overseas. There was also a deposit of \$1,513,000 on ten additional Skyhawk aircraft for the R.A.N. The foregoing figures do not include defence expenditure in Papua and New Guinea or defence aid for Malaysia and Singapore and South Vietnam.

Defence expenditure overseas includes the following payments for material and equipment financed under credit arrangements with the United States of America authorised by the *Loan (Defence) Acts* 1966, 1968 and 1970.

	1968-69 Actual	1969-70 Actual	1970-71 Estimate
	\$'000	\$'000	\$'000
Navy	15,670	15,807	26,122
Army	13,839	9,781	11,377
Air	61,048	20,798	39,792
Supply	655	529	339
	91,212	46,915	77,630

Repayments of principal under these loans amounted to \$53,675,875 in 1969-70 and are estimated to amount to \$58,600,000 in 1970-71.

ITEM No. 2—PAYMENTS TO OR FOR THE STATES AND WORKS AND HOUSING PROGRAMMES

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase — Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
General Revenue Payments—				
Financial Assistance Grants	1,018,193	1,141,319	1,321,100	+ 179,781
Special Grants	17,392	21,900	13,680	+ 8,220
Special Revenue Assistance	14,000	(a) 26,000	..	- 26,000
Total General Revenue Payments	1,049,585	1,189,219	1,334,780	+ 145,561
Specific Purpose Payments of a Revenue Nature—				
Payments under the Financial Agreement—				
Interest on State Debts	15,170	15,170	15,170	..
Sinking Fund on State Debts	21,619	23,271	24,661	+ 1,390
Debt Charges Assistance .. .. .	..	..	11,504	+ 11,504
Universities	43,534	50,435	57,713	+ 7,278
Colleges of Advanced Education	6,282	10,658	15,660	+ 5,002
Research Grants	2,879	3,446	4,394	+ 948
Independent Schools .. .. .	..	12,177	24,300	+ 12,123
Blood Transfusion Services	743	725	850	+ 125
Housekeeper Services	23	..	..	..
Home Care Services .. .. .	..	31	180	+ 149
Welfare Officers—Senior Citizens' Centres .. .. .	..	..	75	+ 75
Paramedical Services .. .. .	..	..	130	+ 130
Road Safety Practices	116	116	150	+ 34
Natural Disaster Payments—				
Drought Relief	11,605	9,038	6,400	- 2,638
Fire Relief	100	200	47	- 153
Other Relief	50	42	50	+ 8
Agricultural Extension Services	3,900	4,599	4,900	+ 301
Minor Agricultural Research	57	98	67	- 31
Cattle Tick Control	310	382	412	+ 30
Bovine Brucellosis and Tuberculosis Eradication .. .. .	..	203	900	+ 697
Coal Mining Industry—Long Service Leave	865	1,160	1,500	+ 340
Total	107,253	131,752	169,063	+ 37,311
Specific Purpose Payments of a Capital Nature—				
Universities	19,097	17,233	20,612	+ 3,379
Colleges of Advanced Education	8,080	9,486	19,185	+ 9,699
Teachers Colleges	6,322	13,160	11,000	- 2,160
Pre-school Teachers Colleges	170	309	2,021	+ 1,712
Science Laboratories	11,762	12,898	13,062	+ 165
Technical Training	7,587	9,878	12,535	+ 2,657
School Libraries	1,703	7,540	9,500	+ 1,960
Mental Health Institutions	4,655	5,501	5,000	- 501
Tuberculosis Hospitals	847	593	368	- 225
Senior Citizens' Centres .. .. .	..	16	200	+ 184
Nursing Homes .. .. .	..	..	880	+ 880
Dwellings for Aged Pensioners .. .. .	..	925	5,700	+ 4,775
Natural Disaster Payments—				
Drought Relief	9,364	5,120	5,116	- 4
Fire Relief	1,070	..	..	..
Other Relief .. .. .	..	130	731	+ 601
Softwood Forestry	3,872	4,814	5,254	+ 440
Brigalow Lands Development—Queensland	1,100	1,100	900	- 200
Bundaberg Irrigation Works—Queensland .. .. .	..	..	1,250	+ 1,250
Cressy-Longford Irrigation Scheme—Tasmania .. .. .	..	..	300	+ 300
Ord River Irrigation Project—Western Australia	5,100	5,850	4,200	- 1,650
Water Resources Investigations/Measurements	1,500	1,601	2,615	+ 1,014
Water Supply—Western Australia	2,050	2,000	2,000	..
Blowering Reservoir—New South Wales	600	..	..	..
Salinity Reduction—Victoria	800	170	50	- 120
Flood Mitigation—New South Wales	2,481	..	1,000	+ 1,000
Fairbairn Dam—Queensland	2,500	3,122	4,785	+ 1,663
Copeton Dam—New South Wales .. .. .	..	3,618	3,861	+ 243
King River Dam—Victoria	15	1,385	2,400	+ 1,015
Tailem Bend Pipeline—South Australia .. .. .	..	1,500	1,500	..
Commonwealth Aid Roads Grants	170,000	193,000	218,000	+ 25,000
Beef Cattle Roads	6,001	6,268	9,550	+ 3,282
Railway projects	18,990	20,112	10,508	- 9,604
Gladstone Power Station—Queensland .. .. .	..	..	900	+ 900
Hydro-electric scheme—Tasmania	3,200	9,700	5,000	- 4,700
Natural Gas Pipeline—South Australia	11,000	..	1,000	+ 1,000
Other	521	614	283	- 331
Total	300,387	337,643	381,266	+ 43,623
Total Specific Purpose Payments	407,640	469,396	550,329	+ 80,933
Works and Housing Programmes—				
Interest-free Capital Grant for Works .. .. .	..	..	200,000	+ 200,000
Advances to States under Commonwealth-State Housing Agreements	126,000	132,230	142,550	+ 10,320
State Works Programme	584,000	625,770	480,450	- 145,320
Total Works and Housing Programmes	710,000	758,000	823,000	+ 65,000
Total Payments to or for the States and Works and Housing Programmes	2,167,224	2,416,615	2,708,109	+ 291,494

(a) Includes an advance of \$10,000,000 to Victoria.

This item includes payments in the nature of financial assistance to or for the States, except payments to the States for the maintenance of tuberculosis hospitals and payments under the *States Grants (Deserted Wives) Act 1968*, both of which are charged to the National Welfare Fund, contributions towards the cost of development of an integrated township at Exmouth, which are charged to Defence Services, and expenditure on Aboriginal Advancement, which is included under Item Number 10—Other Expenditures. It also includes interest-free capital grants to be made to the States to finance part of their non-revenue producing works, advances to the States for housing under Housing Agreements and allocations to the States under the Loan Council borrowing programmes for State works. Further details of the various payments are given in the White Paper 'Commonwealth Payments to or for the States, 1970-71'.

In 1970-71 Commonwealth payments to or for the States and Works and Housing programmes are estimated to total \$2,708,109,000—an increase of \$291,494,000 or 12.1 per cent.

General Revenue Payments

General revenue payments are estimated to increase by a net \$145,561,000 or 12.2 per cent. Financial assistance grants payable under the new arrangements decided at the conference with the Premiers in June 1970 are estimated to increase by \$179,781,000, including \$10,000,000 transferred from Tasmania's special grant to the State's financial assistance grant. The new financial arrangements decided at the Premiers' Conference in June are described in detail in Chapter II of 'Commonwealth Payments to or for the States, 1970-71'. With the transfer of \$10,000,000 to Tasmania's financial assistance grant, the special grant to Tasmania is estimated to be \$8,220,000 less than in 1969-70. The estimates do not include any provision for the payment of a special grant to South Australia, which has made application to the Grants Commission for such a payment. No provision has been made for payments of special revenue assistance in 1970-71; in 1969-70 special revenue assistance totalling \$26,000,000 was provided, including an advance of \$10,000,000 to Victoria, to help the States meet budgetary difficulties.

Specific Purpose Payments of a Revenue Nature

Specific purpose payments of a revenue nature are estimated to be \$37,311,000 greater than in 1969-70. Payments to the States for education purposes are estimated to increase by \$25,351,000, which includes an increase of \$12,123,000 in payments to assist independent schools. Payments to assist the States meet debt charges are estimated to be \$12,894,000 greater, the largest element being an amount of \$11,504,000 granted to the States, under the new financial arrangements agreed with the Premiers in June, to meet debt charges on \$200,000,000 of State debt.

Specific Purpose Payments of a Capital Nature

Specific purpose payments of a capital nature are estimated to increase by \$43,623,000. This includes estimated increases of \$25,000,000 in Commonwealth aid roads grants, \$17,411,000 in payments to the States for education and \$3,282,000 in payments for beef cattle roads. Payments to the States for the construction of self-contained dwelling units for certain single aged pensioners are expected to increase by \$4,775,000. In addition, payments to the States for the development and control of water resources are estimated to increase by \$4,715,000 including \$1,663,000 for the Fairbairn Dam (Queensland), \$1,250,000 for the Bundaberg Irrigation Works (Queensland), \$1,015,000 for the King River Dam (Victoria), and \$1,014,000 for water resources investigations/measurements. Grants for railway construction projects are estimated to be \$9,604,000 less than in 1969-70 and assistance to Tasmania for a hydro-electric scheme \$4,700,000 less.

Works and Housing Programmes

At its meeting in June 1970, the Australian Loan Council approved a government borrowing programme for 1970-71 of which \$823,000,000 was for the financing of State Works and Housing. This includes \$200,000,000 allocated to the Commonwealth to finance interest-free capital grants to the States for works and \$142,550,000 allocated to the Commonwealth to finance advances to the States under the Commonwealth—State Housing Agreements. The balance of \$480,450,000 constitutes the borrowing programme of the State Governments for works purposes.

The Loan Council approved borrowing programmes of \$399,600,000 for State semi-government and local authorities with programmes in excess of \$300,000 in 1970-71, and \$1,218,000 for Commonwealth authorities. The Loan Council also decided that no overall limit should be placed on borrowings by authorities for which the State Governments approve individual programmes of not more than \$300,000 in 1970-71.

ITEM No. 3—PAYMENT TO NATIONAL WELFARE FUND

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Social Services—				
Age and Invalid Pensions	558,587	641,982	707,300	+ 65,318
Widows' Pensions	69,080	81,753	89,700	+ 7,947
Maternity Allowances	7,960	8,000	8,060	+ 60
Child Endowment	193,263	220,143	200,000	- 20,143
Unemployment and Sickness Benefits	16,830	18,592	20,300	+ 1,708
Rehabilitation Service	2,260	2,758	2,950	+ 192
Sheltered Employment Allowances	288	436	800	+ 364
Funeral Benefits	1,571	1,512	1,640	+ 128
Payments under States Grants (Deserted Wives) Act	1,149	1,882	2,500	+ 618
Personal Care Subsidy .. .. .	..	1,133	1,600	+ 467
Delivered Meals Subsidy .. .. .	..	196	300	+ 104
Adjustment of drawing account	368	..	..	..
Total	851,356	978,385	1,035,150	+ 56,765
National Health Services—				
Medical Benefits	49,556	56,863	97,530	+ 40,667
Medical Services for Pensioners	16,912	19,224	19,970	+ 746
Hospital Benefits	29,779	40,258	46,940	+ 6,682
Payments to Public Hospitals for Pensioners	24,520	24,163	26,820	+ 2,657
Nursing Home Benefits	31,643	46,960	48,460	+ 1,500
Handicapped Persons' Homes—Children's Benefit	76	485	625	+ 140
Pharmaceutical Benefits	81,764	95,650	109,220	+ 13,570
Pharmaceutical Benefits for Pensioners	36,609	41,069	45,920	+ 4,851
Milk for School Children	10,053	10,051	10,370	+ 319
Tuberculosis Medical Services and Allowances	12,381	11,326	11,000	- 326
Miscellaneous Health Services	4,624	4,955	6,528	+ 1,573
Total	297,918	351,004	423,383	+ 72,379
Housing Benefits—				
Homes Savings Grants	13,015	12,336	14,200	+ 1,864
Commonwealth and State Housing Agreement 1945—Contribution to Rental Losses	60	74	132	+ 58
Total	13,076	12,411	14,332	+ 1,921
Total Payment to National Welfare Fund ..	1,162,350	1,341,799	1,472,865	+131,066

The National Welfare Fund Act requires that the payment from Consolidated Revenue to the National Welfare Fund each year be equal to the actual expenditure from the Fund in that year. In 1969-70 expenditure from the Fund was \$1,341,799,000 and, after taking account of the costs of new health measures effective as from 1 July 1970 and the proposals announced in the Budget Speech, it is estimated to total \$1,472,865,000 in 1970-71, an increase of \$131,066,000.

Of this increase, the additional full-year cost in 1970-71 of measures introduced in the 1969-70 Budget, or during 1969-70, are estimated to account for \$25,949,000. The cost of the health measures effective as from 1 July 1970 are estimated to account for \$35,000,000. The measures announced in the 1970-71 Budget Speech are estimated to add \$22,623,000 to expenditure in 1970-71 and \$29,769,000 in a full year. Details of the estimated costs of the particular proposals are as follows:—

Proposal	Estimated Cost	
	1970-71	Full-Year
	\$'000	\$'000
Increase of 50 cents a week in standard and married rates of pension	20,000	26,600
Increase in rates of sickness benefit for the long-term sick to the invalid pension rate for adults and married minors and to \$10 a week for unmarried minors	1,100	1,500
Increase in subsidy for approved home nursing organisations	213	255
Increase in rates of tuberculosis allowances in line with increases proposed for social service pensions	10	14
Increase in chemists' remuneration for dispensing pharmaceutical benefits	1,300	1,400
Total	22,623	29,769

In 1970-71 there will be four twelve-weekly bank payments of child endowment compared with five in 1969-70. It is estimated that this will reduce expenditure in 1970-71 compared with 1969-70 by \$24,420,000.

Existing and proposed rates of benefits are outlined in Statement No. 10.

ITEM NO. 4.—REPATRIATION SERVICES

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
War and Service Pensions and Allowances—				
Pensions and allowances for ex-servicemen and dependants	125,644	124,685	128,417	+ 3,732
Pensions and allowances for widows and other dependants of deceased ex-servicemen ..	56,841	58,401	62,179	+ 3,778
Service pensions	34,108	39,912	44,051	+ 4,139
Pensions and allowances for seamen and other civilians	365	368	380	+ 12
	216,958	223,366	235,027	+ 11,661
Other Benefits—				
Specialist local medical officer and ancillary medical services	8,638	9,665	10,416	+ 751
Pharmaceutical services	14,929	15,696	16,104	+ 408
Maintenance of patients in non-departmental institutions	5,492	5,885	6,279	+ 394
Miscellaneous benefits	10,223	10,714	11,716	+ 1,002
	39,282	41,960	44,516	+ 2,555
Repatriation Institutions	28,181	31,378	33,951	+ 2,573
Total Repatriation Services	284,421	296,704	313,494	+ 16,790

Expenditure on Repatriation Services is estimated to increase by \$16,790,000 in 1970-71 to \$313,494,000. The additional full-year cost in 1970-71 of measures introduced in the 1969-70 Budget are estimated to account for \$3,607,000 of this increase. The proposals announced in the Budget Speech are estimated to cost \$6,116,000 in 1970-71 and \$8,158,000 in a full year. Details of the estimated costs of the particular proposals are as follows:

Proposa	Estimated Cost	
	1970-71	Full-Year
	\$'000	\$'000
Increase in war pensions—		
Special rate—by \$2.00 a week	1,792	2,390
Intermediate rate—by \$1.50 a week	89	119
War widows—by 50 cents a week	949	1,265
War orphans—		
one parent dead—		
first child—by 60 cents a week	76	101
each other child—by 75 cents a week	53	71
both parents dead—		
each child—by \$1.85 a week	13	18
Increase in special compensation allowance—maximum of \$1.00 a week ..	967	1,290
Increase in war widows' domestic allowance—by 50 cents a week	915	1,220
Increase in service pensions and allowances comparable to those for social service pensions	1,088	1,451
Other Repatriation proposals (adjustments to certain allowances consequential on the proposed increase in special rate pension).. .. .	174	233
Total	6,116	8,158

Existing and proposed rates of benefits are outlined in Statement No. 10.

ITEM No. 5—DEBT CHARGES

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Interest(a)—				
Commonwealth Inscribed Stock Act, etc.	65,635	72,436	74,520	+ 2,084
International Bank for Reconstruction and Development—Loans	8,573	7,524	6,580	- 944
Sinking Fund	32,832	26,351	21,201	- 5,150
Loan Flotation Expenses (Consolidated Revenue Fund)	97	818	85	- 733
Loan Flotation Expenses (Loan Fund)	4,382	1,511	1,300	- 211
Drought Bonds Expenses . . . . .	..	128	180	+ 52
Total Debt Charges	111,519	108,767	103,866	- 4,901

(a) Interest payments amounting to \$11,885,000 in 1968-69, \$13,076,000 in 1969-70 and an estimated \$16,340,000 in 1970-71, relating to the drawings under the credit arrangements for the purchase of defence equipment in the United States of America, are included under Item No. 1—Defence Services.

Interest—Commonwealth Inscribed Stock Act, etc. The difference between the rates of interest at which the Commonwealth borrows in Australia and overseas, and the lower rates charged by the Commonwealth on advances to the States under the Commonwealth-State Housing Agreements, is the main factor accounting for the estimated increase of \$2,084,000 in interest payments under the Commonwealth Inscribed Stock Act, etc., in 1970-71. Higher interest rates offered in Australia on new securities issued by the Commonwealth are also expected to contribute to the increase. There will be some offsetting savings resulting from the reduction of debt by the National Debt Sinking Fund and the Loan Consolidation and Investment Reserve.

Sinking Fund. Under the *National Debt Sinking Fund Act* 1966-1967, the Commonwealth makes a 4 per cent contribution towards the reduction of specified debt. In 1970-71, the contribution required from the Consolidated Revenue Fund is estimated to decrease by a net \$5,150,000. The net debt, on which the 4 per cent contribution is calculated, declined by \$167,180,000 in 1969-70 (including a net decline of \$137,410,000 in Treasury Notes and \$14,000,000 in Treasury Bills) resulting in an estimated decrease in the contribution from Consolidated Revenue Fund of \$6,687,000. However, the interest income of the Sinking Fund—by which, under the Act, the payment from the Consolidated Revenue Fund is reduced—is estimated to be lower in 1970-71 and the estimated payment from Consolidated Revenue correspondingly greater.

ITEM No. 6—DEPARTMENTAL RUNNING EXPENSES

	1968-69 Actual(a)	1969-70 Actual(a)	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Parliament	2,806	3,255	3,753	+ 498
Attorney-General's	13,468	15,615	17,207	+ 1,592
Cabinet Office	165	224	255	+ 31
Civil Aviation	52,196	61,056	68,951	+ 7,895
Customs and Excise	21,201	24,249	25,898	+ 1,649
Education and Science	3,360	4,610	5,616	+ 1,007
External Affairs	22,884	26,713	28,327	+ 1,615
External Territories	2,308	2,844	2,980	+ 136
Health	11,638	14,019	16,839	+ 2,820
Housing	4,955	5,765	6,195	+ 430
Immigration	14,391	17,786	19,038	+ 1,252
Interior	42,475	49,584	55,092	+ 5,508
Labour and National Service	10,364	12,472	13,405	+ 933
National Development	12,225	13,444	14,948	+ 1,505
Primary Industry	9,960	11,636	13,082	+ 1,446
Prime Minister's	19,206	22,791	24,188	+ 1,398
Repatriation	13,196	14,972	15,744	+ 772
Shipping and Transport	6,066	6,731	7,607	+ 876
Social Services	15,628	18,590	19,928	+ 1,338
Trade and Industry	15,591	18,370	19,804	+ 1,434
Treasury—				
Bureau of Census and Statistics	14,087	17,567	19,378	+ 1,811
Taxation Branch	39,256	46,076	49,181	+ 3,105
Other	7,995	9,181	10,891	+ 1,710
Works	43,489	48,928	51,982	+ 3,053
Total Departmental Running Expenses	398,909	466,477	510,290	+ 43,813

(a) Some of the figures for 1968-69 and 1969-70 have been adjusted for accounting changes to place them on a basis comparable with the 1970-71 estimates.

The estimated increase in Departmental Running Expenses is made up as follows:

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	253,841	302,862	332,106	+ 29,244
Other administrative expenses	145,068	163,615	178,184	+ 14,569
Total	398,909	466,477	510,290	+ 43,813

Of the estimated increase of \$29,244,000 in expenditure on wages and salaries in 1970-71, increased staff accounts for about \$15,816,000. The remainder is attributable mainly to higher wages and salaries paid following the National Wage Case and other arbitration determinations.

ITEM No. 7.—TERRITORIES (EXCLUDING PAPUA AND NEW GUINEA)(a)

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Australian Capital Territory—				
Attorney-General's	447	532	585	+ 53
Education and Science	7,804	8,259	9,926	+ 1,667
Health	4,221	4,531	5,795	+ 1,264
Interior—				
Police	1,641	1,967	2,132	+ 165
Other	10,462	11,623	13,755	+ 2,132
National Capital Development Commission Works	1,646	1,956	2,190	+ 234
Labour and National Service	4,264	4,268	4,776	+ 508
	23	..	..	..
Total Australian Capital Territory	30,507	33,137	39,159	+ 6,022
Northern Territory—				
Attorney-General's	290	324	363	+ 39
Education and Science	2,888	3,720	4,547	+ 827
Health	6,128	7,625	8,931	+ 1,306
Interior	22,808	27,180	29,920	+ 2,740
Labour and National Service .. .. .	..	9	6	- 3
Works	9,401	10,407	11,660	+ 1,253
Aboriginal Reserves—Mining and Timber Royalties	147	277	357	+ 80
Total Northern Territory	41,662	49,543	55,784	+ 6,242
Total Internal Territories	72,169	82,680	94,943	+ 12,264
External Territories(b)	1,117	1,292	1,322	+ 30
Total Territories	73,286	83,972	96,266	+ 12,294

(a) Excludes expenditure on capital works and services: see Items Nos. 11 and 12—'Advances for Capital Purposes' and 'Other Capital Works and Services'.

(b) Includes the Australian School of Pacific Administration.

The estimated increase in expenditure in the Australian Capital Territory includes \$2,297,000 for expenditure by the Department of the Interior and \$1,667,000 for the Department of Education and Science. Of the latter increase, \$926,000 is for payments to the New South Wales Department of Education for

teachers at government schools in the Australian Capital Territory and \$416,000 reflects the full-year cost of per capita grants for the operating expenses of independent schools and increased interest payments arising from the independent school construction programme.

The estimated increase of \$6,242,000 in expenditure in the Northern Territory results from continuing rapid expansion of community and welfare services. Expenditure by the Department of the Interior is estimated to increase by \$2,740,000 which includes increases of \$1,112,000 for salaries and administrative expenses, \$880,000 for aboriginal welfare activities and \$511,000 for general services undertaken by the Northern Territory Administration. Expenditure on health services is estimated to increase by \$1,306,000 and expenditure undertaken by the Department of Works is estimated to increase by \$1,253,000.

ITEM No. 8—EXTERNAL ECONOMIC AID (INCLUDING PAPUA AND NEW GUINEA)

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase — Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Multilateral Programmes	12,675	10,480	12,698	+ 2,218
Bilateral Programmes	37,653	40,362	45,198	+ 4,836
	50,328	50,842	57,896	+ 7,054
Papua and New Guinea	87,323	102,466	108,314	+ 5,848
Total	137,651	153,308	166,210	+ 12,902

The figures in this table summarise clearly identifiable items in the Budget which are in the nature of economic (i.e. non-military) aid to developing countries.

A number of Commonwealth Departments and instrumentalities operate in Papua and New Guinea and incur direct expenditures of an economic nature in the Territory which are also regarded as aid for purposes of international comparison. Such expenditures are included under other heads in the Budget. Details of total expenditure on external aid, including estimates of expenditure on certain items not included in the table above, are set out in Statement No. 8.

ITEM No. 9—COMMONWEALTH PAYMENTS TO INDUSTRY

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase — Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Rural Industries	172,101	138,111	215,376	+ 77,265
Manufacturing Industries	22,984	34,465	40,116	+ 5,651
Mining Industries	14,673	16,157	14,009	— 2,148
Transport Industries	2,169	2,107	2,050	— 57
Total Commonwealth Payments to Industry	211,928	190,840	271,551	+ 80,711

The figures in this table summarise bounties, subsidies and certain other Commonwealth payments to industry. Details of these, together with information on other Commonwealth expenditures made to assist industry and assistance to industry through the taxation system, are set out in Statement No. 9.

ITEM No. 10—OTHER EXPENDITURES

	1968-69 Actual(a)	1969-70 Actual(a)	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Parliament	2,448	2,832	2,778	- 53
Attorney-General's	1,377	1,641	1,700	+ 58
Civil Aviation	1,964	1,882	2,122	+ 240
Customs and Excise	390	392	428	+ 37
Education and Science—				
Australian National University	18,860	21,314	25,600	+ 4,286
Commonwealth Scholarship Schemes	28,539	32,215	37,440	+ 5,225
Commonwealth Scientific and Industrial Research Organization	34,141	38,660	42,800	+ 4,140
Canberra College of Advanced Education	323	1,100	1,480	+ 380
Other	1,281	1,693	2,168	+ 476
External Affairs—				
International Organizations—Contributions	3,472	3,752	3,900	+ 149
Other	211	330	421	+ 92
External Territories		6	1	- 5
Health	3,581	4,256	5,306	+ 1,050
Housing	119	110	119	+ 9
Immigration—				
Assisted Passage Schemes	39,190	40,917	40,310	- 607
Contributions to Commonwealth Hostels Limited	4,924	5,301	5,470	+ 169
Migrant Education	1,005	1,333	4,000	+ 2,667
Other	2,326	2,588	2,456	- 132
Interior	71	63	63	..
Labour and National Service—				
Stevedoring Industry	14,772	13,613	13,600	- 13
Other	515	693	1,072	+ 379
National Development—				
Australian Atomic Energy Commission	10,347	11,028	11,948	+ 920
Joint Coal Board	500	532	513	- 20
Other	994	1,052	963	- 90
Postmaster-General's—				
Broadcasting and Television Services(b)	55,110	60,338	65,252	+ 4,914
Overseas Telecommunications Commission	600	..	..	..
Primary Industry—				
Wheat Research	2,161	1,688	1,545	- 143
Wool Promotion and Research	30,234	27,651	38,423	+ 10,772
Meat Research, etc.	3,906	4,181	4,400	+ 219
Dairy Produce—Research, Promotion, etc.	2,263	2,542	2,770	+ 228
Canned Fruits—Promotion, etc.	2,418	790	986	+ 196
Poultry Industry Stabilization and Research	10,786	11,216	11,590	+ 374
War Service Land Settlement	4,973	3,963	4,700	+ 737
Other	1,914	2,553	2,992	+ 439
Prime Minister's—				
Aboriginal Advancement	10,000	7,160	10,400	+ 3,240
National Library	3,228	4,055	4,331	+ 276
Other	4,838	9,453	8,322	- 1,131
Shipping and Transport—				
Bureau of Roads	550	672	636	- 36
Other	526	525	607	+ 82
Social Services—				
Homes for aged persons	10,280	12,700	14,000	+ 1,300
Telephone concessions for pensioners	1,896	2,299	2,600	+ 301
Other	1,944	2,216	3,723	+ 1,507
Trade and Industry	2,056	2,459	2,526	+ 67
Treasury—				
Superannuation	33,310	35,358	39,300	+ 3,942
Less—payments in respect of former Post Office employees(c)	14,315	15,354	17,000	+ 1,646
Net superannuation	18,995	20,004	22,300	+ 2,296
Remission of taxes and fines	2,059	3,280	3,276	- 4
Other	1,312	624	585	- 39
Total Other Expenditures	343,399	367,672	412,623	+ 44,951

(a) Some of the figures for 1968-69 and 1969-70 have been adjusted for accounting changes to place them on a basis comparable with the estimates for 1970-71.

(b) In the Statements attached to the 1968-69 and 1969-70 Budget Speeches these expenditures were offset against revenue from broadcasting and television services under the heading 'Other Revenue'.

(c) These payments are regarded as being made from contributions in previous years by the Post Office in respect of accrued liability for superannuation.

Other Expenditures comprise expenditures and estimated expenditures under annual and special appropriations from the Consolidated Revenue Fund and the Loan Fund, which are not included under other items. Total expenditure under this item is estimated to increase by \$44,951,000. Larger variations are:

Education and Science

Australian National University. The estimated increase of \$4,286,000 in payments to the Australian National University in 1970-71 reflects the first full-year costs of the 1970-72 triennial programme and the recently approved academic salary increases.

Commonwealth Scholarship Schemes. The estimated increase of \$5,225,000 includes \$794,000 for post-graduate awards, \$3,480,000 for university scholarships and \$772,000 for advanced education scholarships. The increase in the cost of post-graduate awards reflects the decisions announced in the Budget Speech, in respect of the 1971 academic year, to increase the number of existing awards and to introduce a new

category of 'course study' awards. Similarly, the estimated increase in expenditure on university scholarships comprehends the cost of increasing the number of open-entrance scholarships to be made available in 1971, as announced in the Budget Speech. Provision has also been made for scholarships to be awarded to students who enter teacher education courses at the Canberra College of Advanced Education in 1971.

Commonwealth Scientific and Industrial Research Organisation. Of a total estimated increase of \$4,140,000 in 1970-71 nearly \$3,300,000 is the result of increases in salaries due to awards and determinations, and administrative expenses. An additional \$800,000 is required for the expansion of existing research programmes and the commencement of new programmes.

Health

Of the estimated increase of \$1,050,000 in these expenditures, an amount of \$500,000 has been provided for a new programme of drug education. A further \$255,000 relates to the estimated additional cost of increased medical research salaries.

Immigration

Migrant Education. Expenditure on migrant education services is estimated to increase by \$2,667,000 following the Government's decision to expand migrant education programmes. The child migrant education programme accounts for \$1,534,000 of the estimated increase and intensive English language courses for \$738,000.

National Development

Australian Atomic Energy Commission. The running expenses of the Australian Atomic Energy Commission are estimated to increase by a net \$920,000 in 1970-71. An additional \$724,000 is required for wages and salaries mainly to provide for the full-year effect of arbitration determinations made during 1969-70, while expenditure on special nuclear materials and contracts for outside engineering services are expected to increase by \$431,000 and \$287,000 respectively. It is estimated that expenditure on Rum Jungle will be \$300,000 less and that the cessation of uranium deposit exploration work will involve a reduction of \$360,000 in expenditure in 1970-71.

Postmaster-General's

Broadcasting and Television Services. The estimated increase in expenditure of \$4,914,000 includes \$3,644,000 for increased running expenses of the Australian Broadcasting Commission and \$1,121,000 for additional expenditure on technical services provided by the Postmaster-General's Department.

Primary Industry

Wool Promotion and Research. Expenditure on general wool promotion and research is expected to increase by \$10,122,000. In addition, the Commonwealth has agreed to support a research programme on pre-sale objective measurement of wool. The estimated cost in 1970-71 is \$650,000.

War Service Land Settlement. Payments to the agent States under the *States Grants (War Service Land Settlement) Act 1952-1953* for the acquisition and development of properties and for the provision of credit facilities to soldier settlers are financed from loan moneys and amounted to \$3,386,000 in 1969-70. Of the estimated payment of \$4,000,000 in 1970-71 approximately \$3,360,000 will be in respect of the provision of credit facilities. The estimated increase of \$614,000 in these expenditures in 1970-71 arises mainly from a general increase in the number of advances to settlers in the agent States. The table which follows shows, on a State basis, estimated expenditure in 1970-71 and actual expenditure in 1968-69 and 1969-70.

				1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
				\$'000	\$'000	\$'000	\$'000
South Australia	..	..	..	1,760	1,406	1,731	+ 325
Western Australia	..	..	..	1,779	1,414	1,480	+ 66
Tasmania	..	..	..	755	566	789	+ 223
				4,294	3,386	4,000	+ 614

Administrative expenses under this scheme, which are met from annual appropriations, are estimated to increase from \$578,000 to \$700,000 in 1970-71.

Other. It is estimated that expenditure on these items will increase by a net \$439,000 in 1970-71. An initial provision of \$500,000 has been made for Commonwealth payments, on a matching basis with industry, for fisheries research.

Prime Minister's

Aboriginal Advancement. An amount of \$7,160,000 was paid to the Aboriginal Advancement Trust Account in 1969-70, which, with the unexpended balance in the Trust Account, meant that \$8,500,000 was available for expenditure on Aboriginal Advancement. Actual expenditure in 1969-70 totalled \$7,572,000 of which grants to the States totalled \$5,760,000. It is estimated that \$10,400,000 will be paid to

the Aboriginal Advancement Trust Account in 1970-71, so that, with the balance in the Fund at 1 July 1970, \$11,300,000 will be available for expenditure in 1970-71. An additional \$1,240,000 is required for payment to the States, payments under the Study and Secondary Grants schemes are estimated to increase by \$1,585,000 and an additional \$524,000 is required for expenditure in the Northern Territory. Expenditure on other Aboriginal Advancement Programmes is estimated to increase by \$379,000.

Other. Expenditure under this heading is estimated to decrease by a net \$1,131,000 in 1970-71. Expenditure associated with the Australian pavilion at the Universal and International Exhibition being held in Osaka is estimated to be \$2,872,000 less than in 1969-70. Commonwealth expenditure on support for the arts is estimated to increase by \$1,166,000 in 1970-71.

Social Services

Homes for Aged Persons. Expenditure under the *Aged Persons Homes Act 1954-1969* is estimated to increase by \$1,300,000 in 1970-71, because of provisions made for a larger number of grants to eligible organisations.

Other. Expenditure under this heading is expected to increase by \$1,507,000 in 1970-71. Grants to eligible organisations under the *Handicapped Children (Assistance) Act 1970* will be payable for the first time in 1970-71 and are estimated to amount to \$1,000,000. As announced in the Budget Speech, the *Sheltered Employment (Assistance) Act 1967* will be amended to provide further assistance for disabled persons at an estimated cost of \$400,000 in 1970-71 and \$900,000 in a full year.

Treasury

Superannuation. Growth in the number of pensioners under the *Superannuation Act 1922-1968* together with rising entitlements to pension because of progressive salary increases is estimated to result in an increase of \$3,942,000 in Government contributions to the Superannuation Fund. Payments in respect of pensions to former Post Office employees are estimated to increase by \$1,646,000 and payments in respect of other pensioners by \$2,296,000.

ITEM No. 11.—ADVANCES FOR CAPITAL PURPOSES(a)

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Post Office	204,500	233,000	240,000	+ 7,000
Australian National Airlines Commission	8,174	8,110	18,600	+ 10,490
Qantas Airways Limited	6,421	3,198	44,400	+ 41,202
Australian Coastal Shipping Commission	9,000	14,000	2,000	- 12,000
Snowy Mountains Hydro-electric Authority	32,180	35,608	31,201	- 4,407
Snowy Mountains Engineering Corporation .. .. .	..	..	800	+ 800
Australian Atomic Energy Commission—Repayable Advance .. .. .	..	712	2,378	+ 1,666
Australian Industry Development Corporation .. .. .	..	..	25,000	+ 25,000
War Service Homes	50,000	55,000	60,000	+ 5,000
Australian Capital Territory and Northern Territory Housing Advances	8,454	9,832	11,610	+ 1,778
Northern Territory Housing Commission(b)	3,700	5,475	5,700	+ 225
Australian Capital Territory Electricity Authority	600	200	800	+ 600
Northern Territory Port Authority	337	110	432	+ 322
Other Northern Territory Advances	341	234	232	- 2
Commonwealth Serum Laboratories	125	..	..	..
Total Advances	323,832	365,480	443,153	+ 77,673

(a) Other than advances to the States.

(b) This item was included in Item No. 12—'Other Capital Works and Services' in previous years.

Comments are set out below on the main changes resulting in the estimated net increase of \$77,673,000 in advances for capital purposes.

Post Office. It is estimated that an additional \$7,000,000 will be made available to the Post Office in 1970-71. This increase, together with funds available from internal sources, is required to finance an increased programme of capital expenditure particularly on additional telecommunications equipment to meet increased requirements for telephone services, trunk facilities and associated equipment.

Australian National Airlines Commission and Qantas Airways Limited. Advances to the Australian National Airlines Commission are estimated to increase by \$10,490,000 and those to Qantas Airways Limited by \$41,202,000. These increases are mainly for expenditure in 1970-71 on aircraft under current airline re-equipment programmes. The Australian National Airlines Commission takes delivery of one Boeing 727 and three DC9 aircraft in 1970-71 and it is expected that Qantas will make payments on four Boeing 747 aircraft for delivery in 1971-72.

Australian Coastal Shipping Commission. In 1969-70 \$14,000,000 was provided to assist the Commission finance the purchase and construction of ships and terminal development works. The \$2,000,000 being advanced in 1970-71 is for further expenditure on these projects.

Snowy Mountains Hydro-electric Authority. The estimated decrease of \$4,407,000 in expenditure in 1970-71 results from a slowing down in the authority's construction activities as the scheme nears its completion.

40 *Appropriation Bill (No. 1)* [REPRESENTATIVES] *Appropriation Bill (No. 1)*

Snowy Mountains Engineering Corporation. An initial provision of \$800,000 has been made for working capital for this new corporation.

Australian Atomic Energy Commission—Repayable Advance. The estimated increase of \$1,666,000 relates to administrative expenditure and expenditure on site preparation for the Jervis Bay Nuclear Power Station. No provision has been made for expenditure under major construction contracts; tenders are currently being evaluated and it is expected that a contract will be let later in the year.

Australian Industry Development Corporation. An amount of \$25,000,000 has been included for the initial capital subscription to this Corporation.

War Service Homes. In the light of the demand for advances, the provision for War Service Homes has been increased by \$5,000,000.

Australian Capital Territory and Northern Territory Housing Advances. The estimated increase of \$1,778,000 allows for an expected increase in the number of applications for housing loans in the Australian Capital Territory and Northern Territory.

ITEM NO. 12.—OTHER CAPITAL WORKS AND SERVICES

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Parliament .. .. .	..	..	20	+ 20
Attorney-General's .. .. .	..	24	1,119	+ 1,094
Civil Aviation	7,733	7,165	11,300	+ 4,135
Customs and Excise	53	127	284	+ 158
Education and Science—				
Australian National University	5,500	4,326	4,800	+ 474
Canberra College of Advanced Education	940	1,400	3,500	+ 2,100
Commonwealth Scientific and Industrial Research Organization	1,250	1,665	1,700	+ 35
Other	943	379	1,956	+ 1,577
External Affairs	5,216	1,953	649	- 1,304
Health	679	769	5,570	+ 4,801
Housing	833	650	830	+ 180
Immigration	5,817	5,728	5,900	+ 172
Interior	11,590	5,766	4,550	- 1,217
National Development—				
Australian Atomic Energy Commission	1,680	2,060	1,840	- 220
Other	1,062	1,467	1,254	- 213
Postmaster-General's—				
Broadcasting and Television	4,754	3,964	5,735	+ 1,771
Prime Minister's	53	86	38	- 49
Repatriation	88	124	2,266	+ 2,142
Shipping and Transport—				
Railways	12,191	12,231	17,530	+ 5,299
Other	1,299	1,259	525	- 734
Social Services	838	41	2,468	+ 2,427
Trade and Industry	484	711	15	- 696
Treasury	1,949	258	648	+ 390
Works—				
Plant and Equipment, etc.	2,671	1,801	2,271	+ 470
Civil Works Programme—				
Broadcasting and Television	2,304	996	4,880	+ 3,884
Civil Aviation	28,990	31,980	30,000	- 1,980
Commonwealth Scientific and Industrial Research Organization	2,254	2,670	4,500	+ 1,830
Immigration	2,678	3,896	755	- 3,141
Interior	4,357	5,672	4,400	- 1,272
Labour and National Service	124	116	720	+ 604
Prime Minister's	60	283	820	+ 537
Repatriation	1,948	1,975	2,300	+ 325
Social Services	478	1,392	950	- 442
Other Departments	4,616	3,696	3,786	+ 90
Territories—				
Australian Capital Territory	51,014	54,840	66,419	+ 11,578
Northern Territory(a)	23,120	31,582	50,745	+ 19,163
External Territories	252	119	250	+ 132
Total Other Capital Works and Services	189,819	193,170	247,294	+ 54,124

(a) Figures for 1968-69 and 1969-70 have been adjusted for an accounting change to place them on a basis comparable with the estimate for 1970-71.

In 1970-71, expenditure on other capital works and services is estimated to total \$247,294,000, an increase of \$54,124,000. The main factors giving rise to this estimated increase are:

Attorney-General's

The estimated increase of \$1,094,000 is mainly for preliminary work on the Commonwealth-State Law Courts in Sydney, towards which the Commonwealth will contribute 49 per cent of the cost.

Civil Aviation

The expansion of airport facilities, including navigational aids, air traffic control facilities, and communications equipment accounts for most of the estimated increase of \$4,135,000 in expenditure in 1970-71.

Education and Science

Canberra College of Advanced Education. The increase of \$2,100,000 arises from the fact that 1970-71 will be the first full year in which expenditure will be incurred under the approved programme of capital works and equipment purchases for the 1970-72 triennium.

Other. Included in the estimated increase of \$1,577,000 are increases of \$804,000 for Burgmann College, an affiliated college at the Australian National University, and \$774,000 for the Anglo-Australian Telescope project.

Health

The increase of \$4,801,000 in estimated expenditure is due mainly to provision for the purchase of computer equipment estimated to cost \$4,773,000.

Postmaster-General's

Broadcasting and Television Services. The increase of \$1,771,000 in estimated expenditure is mainly attributable to an increase of \$941,000 for the installation of transmission equipment for new national broadcasting and television stations, an increase of \$500,000 in the Australian Broadcasting Commission's requirements for technical equipment and the inclusion under this heading for the first time of funds totalling \$320,000 to provide technical equipment for the Australian Broadcasting Control Board.

Repatriation

The provision of \$2,083,000 for the purchase and installation of computer equipment accounts for most of the estimated increase of \$2,142,000 in expenditure on this item.

Shipping and Transport

Railways. An amount of \$3,000,000 is expected to be spent in 1970-71 on the construction of the new railway between Port Augusta and Whyalla. The balance of the estimated increase of \$5,299,000 in capital expenditure by the Commonwealth Railways relates to the continuing programme of upgrading existing lines and associated facilities, and the provision of additional rolling stock to cater for increasing traffic.

Social Services

Expenditure in 1970-71 is expected to increase by \$2,427,000 due mainly to the provision of \$2,402,000 for the purchase and installation of computing equipment.

Works

Plant and Equipment, etc. Expenditure under this heading is estimated to increase by \$470,000 mainly because of the need to purchase a special concreting plant for use in extending the runway at Tullamarine Airport.

Civil Works Programme. Expenditure under the civil works programme (excluding the Australian Capital Territory and the Northern Territory) is estimated to increase by a net \$435,000. The largest increase is \$3,884,000 for Broadcasting and Television Services, mainly for expenditure on radio studio buildings at Collinswood (South Australia) and in Sydney and on television transmitter facilities at Cairns (Queensland). Expenditure on laboratory projects for the Commonwealth Scientific and Industrial Research Organisation at North Ryde (N.S.W.) and other locations is estimated to increase by \$1,830,000. Other increases are \$604,000 for the Department of Labour and National Service, mainly for expenditure on hostel accommodation, \$537,000 for archival facilities for the Prime Minister's Department, and \$325,000 for Repatriation General Hospitals. The main reductions in estimated expenditure are \$3,141,000 in expenditure for the Department of Immigration on migrant hostels in New South Wales and Victoria, \$1,980,000 for Civil Aviation works, and \$1,272,000 in Commonwealth office construction for the Department of the Interior outside the Australian Capital Territory and the Northern Territory.

Territories

Australian Capital Territory. Of the estimated increase of \$11,578,000 in expenditure on capital works and services in the Australian Capital Territory \$6,572,000 relates to increased expenditure by the National Capital Development Commission principally for the construction of Commonwealth offices and for basic works such as land development, housing and roads. Expenditure on buildings and works in the A.C.T. for the Department of Health is estimated to increase by \$3,915,000 mainly on account of the construction of the new Woden Valley Hospital.

Northern Territory. Of the estimated increase of \$19,163,000 in expenditure on capital works and services in the Northern Territory, \$16,146,000 is for increased expenditure under the civil works programme for the three major Northern Territory sponsoring departments—Interior, Health and Education and Science—mainly relating to large urban development projects in Darwin and infrastructure works at Nhulunbuy (Gove).

STATEMENT No. 3—ESTIMATES OF RECEIPTS, 1970-71

In the absence of any changes in existing taxes and other charges, it is estimated that total receipts in 1970-71 would amount to \$7,921,588,000, which would be \$840,478,000 or 11.9 per cent more than total receipts in 1969-70.

Details of the estimated effects in 1970-71 and in a full year of the revenue proposals announced in the Budget Speech are shown in the following table.

Proposal	Estimated Effect on Receipts (+) Increase (-) Decrease	
	1970-71	Full Year
	\$'000	\$'000
Customs—		
Increase in duty on petroleum products ..	+ 1,900	+ 2,400
Increase in duty on tobacco products ..	+ 750	+ 1,100
Increase in duty on wine	+ 150	+ 200
Total Customs	+ 2,800	+ 3,700
Excise—		
Increase in duty on petroleum products ..	+ 61,100	+ 77,200
Increase in duty on tobacco products ..	+ 19,250	+ 29,900
Imposition of duty on wine	+ 12,500	+ 15,000
Removal of duty on spirit used to fortify wine	- 850	- 1,000
Total Excise	+ 92,000	+ 121,100
Sales Tax—		
Increase 25 per cent rate to 27½ per cent ..	+ 23,000	+ 29,000
Income Tax—Individuals—		
Rate reduction—		
Gross P.A.Y.E.	- 180,000	(a)
Other	- 48,000	(a)
Total	- 228,000	- 289,000
Age allowance—		
Gross P.A.Y.E.	- 1,500	(a)
Other	- 500	(a)
Total	- 2,000	- 3,000
Total Income Tax—Individuals ..	- 230,000	- 292,000
Income Tax—Companies—		
Addition of 2½ cents in the \$ to all rates	+ 76,000	+ 81,000
Other Revenue—		
Increase in air navigation charges ..	+ 850	+ 1,800
Increase in licence fees for radiocommuni- cation services	+ 460	+ 620
Increase in light dues	+ 450	+ 600
Total Other Revenue	+ 1,760	+ 3,020
Net effect on Total Receipts ..	- 34,440	- 54,180

(a) A dissection on this basis would not be meaningful.

After taking the effects of these revenue proposals into account, total receipts in 1970-71 are estimated at \$7,887,148,000, an increase of \$806,038,000, or 11.4 per cent. In 1969-70 total receipts increased by \$897,388,000, or 14.5 per cent, including the effects of revenue measures announced in the 1969-70 Budget Speech which were estimated to reduce receipts by a net \$13,900,000 in 1969-70.

The following table compares estimated receipts in 1970-71 with actual receipts in the two preceding financial years.

	1968-69 Actual(a)	1969-70 Actual(a)	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Taxation Revenue—				
Customs Duty	347,746	414,487	462,800	+ 48,313
Excise Duty	901,014	939,712	1,080,000	+ 140,288
Sales Tax	494,063	567,359	645,000	+ 77,641
Income Tax—Individuals—				
Gross P.A.Y.E.	2,123,857	2,524,673	2,784,500	+ 259,827
Less refunds	396,568	440,454	510,000	+ 69,546
Net P.A.Y.E.	1,727,290	2,084,219	2,274,500	+ 190,281
Other	652,176	773,917	761,500	- 12,417
Companies	1,006,543	1,151,364	1,401,000	+ 249,636
Dividend (Withholding) Tax	28,303	38,003	40,000	+ 1,997
Interest (Withholding) Tax	4,456	8,019	10,500	+ 2,481
Gross Pay-roll Tax	234,524	264,050	294,000	+ 29,950
Less rebates	28,957	33,582	42,000	+ 8,418
Net Pay-roll Tax	205,568	230,469	252,000	+ 21,531
Estate Duty	60,726	71,332	65,000	- 6,332
Gift Duty	9,376	8,553	8,500	- 53
Total Taxation Revenue	5,437,260	6,287,436	7,000,800	+ 713,364
Other Revenue	537,301	573,730	645,188	+ 71,457
National Debt Sinking Fund	153,713	156,264	157,061	+ 797
Net increase in other balances of the Commonwealth in the Trust Fund	55,447	63,679	84,100	+ 20,420
Total Receipts	6,183,722	7,081,110	7,887,148	+ 806,038

(a) Some of the figures for 1968-69 and 1969-70 have been adjusted for accounting changes to place them on a basis comparable with the estimates for 1970-71.

TAXATION REVENUE

In 1970-71 total taxation revenue is estimated to be \$7,000,800,000, an increase of \$713,364,000 or 11.3 per cent over 1969-70. The main changes in estimated taxation collections are discussed in the following notes.

Customs Duty. On the basis of existing legislation, collections of customs duty are estimated to increase by \$45,513,000 in 1970-71 to \$460,000,000. This estimate allows for a further increase in recorded imports in 1970-71, though less rapid than that which occurred in 1969-70, and for some increase in the proportion of imports dutiable at higher rates. After allowing for the effects of the measures announced in the Budget Speech, it is estimated that collections will increase by \$48,313,000 to \$462,800,000 in 1970-71.

Excise Duty. The estimate of excise duty collections is based on the assumption that consumer spending will continue to increase strongly in 1970-71. On the basis of existing legislation, excise collections are estimated to increase by \$48,288,000 or 5.1 per cent, following an increase of \$38,698,000 or 4.3 per cent in 1969-70. After allowing for the effects of the measures announced in the Budget Speech, it is estimated that collections will increase by \$140,288,000 to \$1,080,000,000 in 1970-71. The main components of the estimate for 1970-71 are as follows:

	1969-70 Preliminary	1970-71 Estimate	Change
	\$'000	\$'000	\$'000
Beer	369,937	384,869	+ 14,932
Tobacco products	245,419	273,278	+ 27,859
Motor spirit	257,813	326,980	+ 69,167
Other	66,543	94,873	+ 28,330
	939,712	1,080,000	+140,288

Sales Tax. The estimate of sales tax collections in 1970-71 assumes that the value of sales of goods subject to sales tax will increase at a slightly slower rate in 1970-71 than in 1969-70. On the basis of existing legislation, sales tax collections are estimated to increase by \$54,641,000, or about 9.6 per cent, to \$622,000,000. After allowing for the effects of measures announced in the Budget Speech, it is estimated that sales tax collections will increase by \$77,641,000 to \$645,000,000 in 1970-71.

Income Tax—Individuals. It is estimated that, on the basis of existing legislation, collections of income tax from individuals in 1970-71 would total \$3,266,000,000, an increase of \$407,864,000, or 14.3 per cent, on collections in 1969-70.

(a) *Pay-as-you-earn Instalment Deductions*—On the basis of existing legislation, gross pay-as-you-earn instalment deductions in 1970-71 are estimated at \$2,966,000,000, or \$441,327,000 more than in 1969-70. In 1969-70 average weekly earnings increased by about 8 per cent and the average number of employees in terms of 'male units' by slightly more than 3.5 per cent. For the purpose of setting down a figure for pay-as-you-earn collections, an increase of 7 per cent in average earnings has been assumed for 1970-71. This assumption, which takes account of the rise in average weekly earnings which has already occurred, does not imply that the trend in earnings from this point of time can be forecast with any reliability. Nor does its use imply that it is a Budget objective. The increase in the average number of employees assumed for 1970-71, 3.5 per cent, is about the same as occurred in 1969-70. Refunds of tax instalment deductions are estimated to increase by \$69,546,000, so that at existing rates of taxation, net pay-as-you-earn collections are estimated to increase by \$371,781,000 to \$2,456,000,000.

(b) *Other.* On the basis of existing legislation, collections on assessments of individuals are estimated to increase by \$36,083,000 in 1970-71, compared with an increase of \$121,741,000 in 1969-70. Income, other than wages and salaries, in 1969-70, which is subject to tax in 1970-71, is estimated to have been only slightly greater than in 1968-69 largely because of an estimated decline of about 22 per cent in the incomes of primary producers in 1969-70. The incomes of other individuals subject to provisional tax are estimated to have increased by 9.3 per cent in 1969-70.

The measures announced in the Budget Speech are estimated to reduce income tax collections from individuals by \$230,000,000 in 1970-71 and \$292,000,000 in a full year. After allowing for these changes, it is estimated that income tax collections from individuals will increase by \$177,864,000 to \$3,036,000,000 in 1970-71.

Income Tax—Companies. Incomes of companies in 1969–70 which are subject to tax in 1970–71 are estimated to have increased by over 14 per cent following an increase of about 13.6 per cent in 1968–69. At existing rates of tax, collections of income tax from companies in 1970–71 are estimated at \$1,325,000,000, an increase of \$173,636,000, or 15.1 per cent. After allowing for the effects of measures announced in the Budget Speech, collections of income tax from companies are estimated to increase by \$249,636,000 to \$1,401,000,000 in 1970–71.

Pay-roll Tax. On the basis of the assumed increases in employment and average weekly earnings adopted for the estimate of gross pay-as-you-earn collections, it is estimated that gross pay-roll tax collections will total \$294,000,000 in 1970–71, an increase of \$29,950,000. After allowing for pay-roll tax rebates under the export incentive scheme, which are estimated to increase by \$8,418,000 to \$42,000,000, net pay-roll tax collections are estimated to increase by \$21,531,000 to \$252,000,000 in 1970–71.

Estate Duty. Following an abnormally large increase of \$10,606,000 in 1969–70, it is estimated that collections of estate duty will decline by \$6,332,000 in 1970–71 to \$65,000,000. It is expected that collections in 1970–71 will be affected by the first full year of operation of the concessions introduced in the 1969–70 Budget in respect of estates of primary producers.

OTHER REVENUE

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Parliament	2	1	2	+ 1
Attorney-General's	3,513	4,241	4,886	+ 645
Civil Aviation—				
Australian National Airlines Commission—Payment in the nature of a dividend	1,125	1,125	1,275	+ 150
Qantas Airways Limited—Dividend	2,035	2,955	3,940	+ 985
Air Navigation Charges	12,804	15,566	19,250	+ 3,684
Other	3,847	4,875	6,611	+ 1,736
Customs and Excise	2,251	3,466	3,700	+ 234
Education and Science	411	418	749	+ 331
External Affairs	1,267	926	661	- 265
External Territories ^a	2,244	1,623	844	- 779
Health	577	563	514	- 49
Housing—				
War Service Homes—Repayments of interest and principal	72,428	77,432	82,000	+ 4,568
Other	239	701	740	+ 39
Immigration	2,754	2,829	3,080	+ 251
Interior	12,072	13,382	12,540	- 842
Labour and National Service—				
Stevedoring Industry Charge	14,480	13,801	13,600	- 201
Other	53	61	48	- 13
National Development—				
Snowy Mountains Hydro-electric Authority—				
Interest	19,366	21,238	30,508	+ 2,270
Principal	2,085	2,268	3,217	+ 949
Other	2,063	1,932	1,930	- 2
Postmaster-General's—				
Broadcasting and Television Licence Fees and Charges ^(a)	47,978	51,531	53,368	+ 1,837
Primary Industry—				
War Service Land Settlement—				
Interest, rent repayments and other	12,711	11,079	7,750	- 3,329
Wool Tax	15,272	14,028	8,000	- 6,028
Butter Fat Levy	1,956	2,189	2,380	+ 191
Livestock Slaughter Levy—				
Cattle	1,351	1,557	1,600	+ 43
Sheep and Lambs	1,027	1,229	1,350	+ 121
Poultry Industry Levy	10,785	11,117	11,500	+ 383
Other	3,880	3,703	4,194	+ 491
Prime Minister's	558	607	559	- 49
Repatriation	2,122	2,583	2,254	- 329
Shipping and Transport—				
Commonwealth Railways—Net receipts	4,963	6,029	7,654	+ 1,625
Other	10,782	13,130	17,043	+ 3,913
Social Services	291	325	236	- 90
Trade and Industry	127	93	100	+ 7
Treasury—				
Reserve Bank of Australia	26,096	26,555	41,000	+ 14,445
Commonwealth Banking Corporation	3,602	2,808	3,600	+ 792
Investments of General Trust Fund—				
Interest and profit	1,080	1,072	600	- 472
Unrequired balances of Trust Accounts	1,058	1,100	1,110	+ 10
International Monetary Fund—Distribution of Net Income and Remuneration	1,052	3,077	1,600	- 1,477
Overseas Telecommunications Commission—				
Repayment of advances	5,000			
Payment in the nature of a dividend		6,475	6,914	+ 439
Payment by Post Office of interest on capital	94,591	106,354	122,503	+ 16,149
Off-shore Petroleum Royalties		475	5,100	+ 4,625
Australian Capital Territory Stamp Duties		1,969	2,400	+ 431
Repayments of principal from—				
Australian National Airlines Commission	5,935	7,293	7,786	+ 493
Qantas Airways Limited	21,069	19,913	19,782	- 131
Interest on Wheat Board Advances			6,500	+ 6,500
Other	14,610	18,081	22,491	+ 4,410
Works	11,858	13,404	13,245	- 159
Defence	74	1		- 1
Navy	4,652	4,187	3,574	- 613
Army	4,619	3,535	3,116	- 419
Air	3,351	2,837	2,277	- 560
Supply—				
Repayments from United Kingdom—Weapons Research Establishment	7,869	7,448	6,130	- 1,318
Other	23,163	16,643	16,455	- 188
Territories Revenue—				
Australian Capital Territory	26,204	28,656	33,020	+ 4,364
Northern Territory	11,506	12,772	17,355	+ 4,583
Cocos and Christmas Islands	493	473	546	+ 73
Total Other Revenue	537,301	573,730	645,188	+ 71,457

(a) Expenditure on broadcasting and television services is now included in Statement No. 2, Item No. 10.

Civil Aviation

Air Navigation Charges. Collections are estimated to increase by \$3,684,000 in 1970-71 as a result of growth in air traffic, the full-year effects of increased rates applicable from

1 January 1970 and the increase in charges announced in the Budget Speech. The increase in charges is to apply from 1 January 1971 and is estimated to yield \$1,800,000 in a full year.

Other. The estimated increase of \$1,736,000 relates mainly to an expected increase in receipts from site and building rentals and the operation of business concessions following the opening of the new international passenger terminals at Sydney and Melbourne airports.

Housing

War Service Homes—Repayments of Interest and Principal. The estimated increase of \$4,568,000 results from an increase in the amount of outstanding advances and an allowance for an expected rise in the rate of discharge of outstanding advances.

National Development

Snowy Mountains Hydro-electric Authority—Interest. Receipts from interest from the Snowy Mountains Hydro-electric Authority are estimated to increase by \$9,270,000 in 1970–71, mainly as a result of bringing to account capital expenditure on the Murray Power Stations.

Snowy Mountains Hydro-electric Authority—Principal. Repayments of principal by the Authority are estimated to increase by \$949,000 mainly as a result of the commencement of repayments in respect of Murray Power Stations.

Postmaster-General's

Broadcasting and Television Licence Fees and Charges. The estimated increase of \$1,837,000 in 1970–71 is largely due to an increase of \$1,311,000 in viewers' and listeners' licence fees as a result of the growth in the number of licences and an increase of \$470,000 in revenue from wireless telegraphy licences, most of which is due to the proposed increase in the licence fee.

Primary Industry

War Service Land Settlement. The estimated reduction of \$3,329,000 in revenue from war service land settlement is mainly a result of the termination of an agreement with the Commonwealth whereby the States of Tasmania and Western Australia undertook to repay over a five-year period, commencing 30 June 1965, the States' contributions towards excess costs of acquisition and development of war service land settlement farms.

Wool Tax. Receipts from the wool tax are expected to decline by \$6,028,000 in 1970–71 following the reduction in the rate of tax from 2 per cent to 1 per cent of the value of wool sold.

Shipping and Transport

Commonwealth Railways—Net Receipts. Net receipts of the Commonwealth Railways are estimated to increase by \$1,625,000. Mainly because of an expected increase in traffic on the Trans-Australian Railway and the North Australia Railway, gross receipts are estimated to increase by \$2,161,000 and working expenses, which are offset against gross receipts, are expected to increase by \$535,000.

Other. The estimated increase of \$3,913,000 reflects an increase of \$3,000,000 in repayments of loans made to the Australian Coastal Shipping Commission and an increase of \$890,000 in interest on loans made to the Commission. Repayments of principal and interest in connection with a number of State railway projects are estimated to increase by \$628,000 while receipts from light dues are expected to increase by \$505,000, partly as a result of the increased dues announced in the Budget Speech. The payment in the nature of a dividend by the Australian Coastal Shipping Commission is estimated to be \$1,075,500, less than in 1969–70.

Treasury

Reserve Bank. Payments to Consolidated Revenue of Reserve Bank profits are estimated to increase by \$14,445,000 in 1970–71.

International Monetary Fund. In 1969–70 Australia received \$1,798,000 as its share of the net income of the International Monetary Fund for the year ended 30 April 1969 and

\$1,279,000 in remuneration as a 'net creditor' for the nine months ended 30 April 1970. Remuneration is expected to amount to \$1,600,000 in 1970-71 but no receipt is expected from the net income of the Fund.

Post Office—Interest on Capital. It is estimated that, as a result of higher interest rates and the growth in the amount of capital provided to the Post Office, interest received from the Post Office will increase by \$16,149,000 in 1970-71.

Off-shore Petroleum Royalties. It is estimated that the Commonwealth's share of royalties on production in Bass Strait will increase by \$4,625,000 in 1970-71 as production from the Bass Strait fields increases.

Wheat Board Advances. Interest on the advance of \$250,230,000 to the Wheat Board, to enable the Board to repay a loan to the Reserve Bank, is estimated to amount to \$6,500,000 in 1970-71. There was no such interest payment in 1969-70.

Other. The main factors affecting other revenue are the initial repayment of \$3,021,000 by Queensland of loans made under the *Sugar Marketing Assistance Agreement Act 1967* and the *Sugar Industry Assistance Act 1967*, and an estimated increase of \$1,229,000 in repayments by the States of Commonwealth advances to alleviate the effects of natural disasters.

Supply

Repayments from the United Kingdom—Weapons Research Establishment. The British contribution to the cost of the Weapons Research Establishment is estimated to decline by \$1,318,000 in 1970-71 due to reduced activity on the Woomera Range.

Territories

Australian Capital Territory. Of the estimated increase in revenue of \$4,364,000 from the Australian Capital Territory, the principal increases are \$2,162,000 from increased proceeds from sales of government houses and \$1,495,000 from interest and capital repayments on advances to the Australian Capital Territory Housing Commissioner and local building societies. The Government's new land tenure arrangements and the greater number of ratepayers for the Australian Capital Territory are expected to provide an increase in general rates of \$1,695,000, which will be partially offset by an estimated decrease in revenue from land rents of \$1,234,000.

Northern Territory. The estimated increase of \$4,583,000 includes increases of \$1,872,000 for interest and principal repayments on advances for housing, \$1,213,000 for land rents and rents paid by tenants of Administration-owned dwellings, \$880,000 for electricity revenue and \$636,000 for interest and principal repayments on advances to the Northern Territory Port Authority.

RECEIPTS OF NATIONAL DEBT SINKING FUND

Details of the estimated receipts of the National Debt Sinking Fund are shown in the following table.

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase — Decrease on 1969-70
Commonwealth—	\$'000	\$'000	\$'000	\$'000
Contributions from Consolidated Revenue Fund	32,832	26,351	21,201	— 5,150
Interest on investments(a)	5,502	4,213	2,300	— 1,913
Repayments of Loan Fund advances for housing	13,046	14,151	15,300	+ 1,149
Other repayments(b)	1,862	3,640	1,955	— 1,685
Total Receipts from Commonwealth ..	53,243	48,354	40,756	— 7,598
States—				
Contributions by Commonwealth	21,619	23,271	24,661	+ 1,390
Contributions by States	79,071	83,796	91,564	+ 7,768
Interest on investments	— 220	843	80	— 763
Total Receipts(a), (b)	153,713	156,264	157,061	+ 797

(a) Excludes profits or losses from realisation of investments.

(b) Excludes repayment of advances from the Australian Wheat Board.

Commonwealth

Contributions from the Consolidated Revenue Fund and Interest on Investments. The percentage contributions from the Consolidated Revenue Fund to the National Debt Sinking Fund and the interest income of the Sinking Fund are estimated to total \$23,501,000 in 1970-71, \$7,063,000 less than in 1969-70. The estimated decrease of \$7,063,000 is mainly the result of a decline of \$167,180,000 in 1969-70 in net debt subject to 4 per cent contribution under the *National Debt Sinking Fund Act* 1966-1967, including a net decline of \$137,410,000 in Treasury Notes and \$14,000,000 in Treasury Bills. The *National Debt Sinking Fund Act* 1966-1967 provides for the contribution from the Consolidated Revenue Fund to be reduced by an amount equal to income from investments of Commonwealth balances in the Fund. This income is estimated to be \$1,913,000 less than in 1969-70 and the contribution from the Consolidated Revenue Fund to be correspondingly greater.

Repayments of Loan Fund Advances for Housing. Repayments to the Sinking Fund of advances to the States under the various Housing Agreement Acts are estimated to be \$1,149,000 greater in 1970-71 because of the increase in these advances.

Other Repayments. Other repayments to the Sinking Fund include repayments made under the *Railway Agreement (Queensland) Acts* 1961 and 1968, the *Loan (Emergency Wheat Storage) Act* 1955, the *War Service Land Settlement Agreements Act* 1945 and the *Nauru Island Agreement Act* 1919-1932. These repayments are estimated to decrease by \$1,685,000 in 1970-71. In 1969-70 the British Phosphate Commissioners repaid in full an amount of \$1,780,000 due to the Australian Government, representing the Nauru proportion of Partner Government capital.

Receipts in Respect of State Debt

Contributions by Commonwealth and States. Because of the growth of State debt, contributions by the Commonwealth and the States in respect of State debt are estimated to be \$9,158,000 greater in 1970-71.

NET INCREASE IN OTHER BALANCES OF THE COMMONWEALTH IN THE TRUST FUND

The estimated increase in 1970-71 of \$20,420,000 is attributable mainly to an expected increase in the interest on investments held by the Loan Consolidation and Investment Reserve.

STATEMENT No. 4—FINANCING TRANSACTIONS AND LIQUIDITY
THE FINANCIAL YEAR 1969-70

FINANCING TRANSACTIONS

The following table summarises the financing transactions for the financial years 1968-69 and 1969-70.

	1968-69	1969-70
	\$ million	\$ million
Overseas—		
Net drawings under credit arrangements—		
Defence purchases in the United States of America ..	55	— 3
Qantas and Australian National Airlines Commission ..	— 12	— 16
Net proceeds of other overseas borrowings	100	—112
	142	—131
Funds provided for International Monetary Fund drawings in		
Australian currency	— 5	..
Australia—		
Net proceeds of loans raised in Australia(a)	381	263
Net change in Treasury Notes on issue	— 68	—137(b)
	313	126
Advance to Australian Wheat Board—		
Treasury Notes issued to Reserve Bank .. .. .	..	184
Less Net Commonwealth Advance .. .. .	..	—184

Other financing transactions (net)(c)	62	45
Residual financing—		
Borrowings from Reserve Bank	—127	— 14
Amount available to increase cash balances .. ..	..	— 19
	—127	— 33
Total Financing Transactions	385	7

(a) Includes State domestic loan raisings.

(b) Excludes Treasury Notes issued to the Reserve Bank to finance an advance to the Australian Wheat Board.

(c) Includes amounts available to the Commonwealth from funds obtained from coinage and bullion transactions, amounts borrowed by Commonwealth trust accounts, and amounts available from moneys held in trust.

In 1969-70 redemptions and other expenditure on the reduction of overseas debt exceeded overseas loan raisings and drawings on defence credits by \$131 million.

Repayments of previous drawings under credit arrangements for defence purchases in the United States of America amounted to \$54 million, \$3 million more than drawings which totalled \$51 million in 1969-70.

Drawings on loans arranged overseas for Qantas Airways Limited and the Australian National Airlines Commission to finance the purchase of aircraft amounted to \$11 million but repayments of borrowings of this type amounted to \$27 million, so that there were net repayments of \$16 million.

The proceeds of other loans raised overseas, in Germany and Switzerland, amounted to \$48 million, which was \$112 million less than redemptions and other expenditure on the reduction of debt overseas.

An amount of \$138 million was, therefore, required from financing transactions in Australia to cover net overseas redemptions of \$131 million and the deficit of \$7 million.

The net amount produced by loan raising operations in Australia in 1969-70 was \$126 million. Gross proceeds from loans raised in Australia (including \$16 million from State domestic loan raisings) amounted to \$678 million and redemptions and other expenditure on the reduction of debt amounted to \$414 million. There was a net decline of \$137 million in Treasury Notes on issue during 1969-70, excluding a net amount of \$184 million issued to the Reserve Bank to finance an advance to the Australian Wheat Board.

As \$45 million was available from other financing transactions, including drawings on balances available to the Commonwealth and amounts available in respect of coinage transactions, an amount of \$33 million remained after completing the financing of the deficit and meeting net redemptions overseas. Of this residual, \$14 million was applied to redeem the Treasury Bills which remained on issue to the Reserve Bank at 30 June 1969 and \$19 million was added to Commonwealth cash balances.

Holdings of Commonwealth Securities. There was an increase of about \$90 million in the non-bank public's holdings of Commonwealth securities in 1969-70—well below the increase of \$166 million in the preceding year when liquidity grew at a much stronger rate.

Although Treasury Bills on issue to the Reserve Bank were reduced by \$14 million, the Reserve Bank was a significant net purchaser of Commonwealth securities in 1969-70. The increase of \$357 million in Reserve Bank holdings of other Commonwealth securities included \$184 million of Treasury Notes issued to finance the advance to the Australian Wheat Board. In contrast with 1968-69, both the trading banks and the savings banks reduced their holdings of Commonwealth securities during 1969-70.

The following table shows changes in holdings of Commonwealth securities redeemable in Australia in 1968-69 and in 1969-70.

	1968-69 (a)	1969-70 Preliminary (a)
	\$ million	\$ million
Reserve Bank—Treasury Bills	- 127	- 14
Other	- 67	+ 357
Trading banks	+ 173	- 96
Savings banks	+ 35	- 50
Total—banking system	+ 14	+ 197
Other(b)	+ 172	+ 99
Total(b)	+ 186	+ 296

(a) Figures for banking system are in terms of face value of securities; the total is in terms of cash receipts from the sale of securities; and an adjustment for the difference between face value and cash receipts from the sale of securities is included in 'other' changes in holdings of securities.

(b) Excludes subscriptions to special loans, cancellations of securities out of Loan Consolidation and Investment Reserve and changes in internal Treasury Bills.

THE BUDGET AND LIQUIDITY

For the financial year 1969-70 as a whole, the Commonwealth's domestic transactions appear to have subtracted about \$500 million from liquidity. There was also a comparatively modest increase in Rural Credits advances (before allowing for the Commonwealth's funding of an advance to the Wheat Board) and a substantial private sector balance of payments surplus, both of which added to liquidity. These factors, together with some other minor elements, produced a much smaller than usual increase in 'primary liquidity'(a). The effects on the money supply were offset in part by a relatively strong increase in bank advances and a lower than usual level of net purchases of Commonwealth securities by the non-bank public. The net result was that the money supply increased at the comparatively slow rate of about 6.2 per cent. Percentage increases in the money supply over the last five years have been as follows:

	Per cent
1965-66	5.8
1966-67	8.1
1967-68	8.3
1968-69	9.1
1969-70	6.2

(a) *Primary Liquidity* is defined as holdings of liquid assets (comprising notes, coin and cash with Reserve Bank) and Commonwealth Government securities by the banking system (excluding Reserve Bank), Statutory Reserve Deposit Accounts of all trading banks, and notes, coin and Commonwealth securities held by non-bank private sector.

Although the moderate rate of increase in the money supply in 1969-70 was partly attributable to the Commonwealth's domestic surplus, other policy measures reinforced the effects of that surplus. There was a two-stage Statutory Reserve Deposit call-up early in the year and during the period of seasonal tightness later in the year the higher Statutory Reserve Deposit ratio was maintained. The resultant pressures on bank liquidity, supplemented by higher interest rates on bank advances, influenced the rate of increase in bank advances. The increase in interest rates on Commonwealth securities had the effect of discouraging holders from selling their securities directly or indirectly to the Reserve Bank during the seasonal downswing in liquidity. But for these factors, there would have been a considerably larger increase in the money supply.

In 1969-70 there was an accentuated seasonal swing in the Commonwealth's domestic financial transactions. In the first half of the year, there was a domestic deficit of over \$700 million which added to liquidity. However, because of a net deficit in the private sector balance of payments and net repayments of Rural Credits advances for the period, there was a comparatively small build-up in liquidity for the economy as a whole. Partly as a result of the high level of their advances and of the Statutory Reserve Deposit call-up in the first half of 1969-70, the L.G.S. ratios of the trading banks at the end of this phase were low by comparison with previous years, and this limited the extent to which they were able to meet the increased demands for advances in the latter months of the year.

In the latter half of the year, mainly in the June quarter, there was a Commonwealth domestic surplus sufficient to offset the domestic deficit of the first half of the year and to produce an overall domestic surplus of about \$500 million for the year as a whole. Although there was a marked improvement in the private sector balance of payments position, the money supply declined by about \$270 million in the June quarter. Increases in interest rates on Commonwealth securities and the increases in bank interest rates associated with high demand for money complemented the seasonal swing in Commonwealth domestic transactions and produced some monetary restraint on the economy.

PROSPECTS FOR 1970-71

Financing Transactions

It is estimated that Commonwealth receipts will slightly exceed Commonwealth expenditures in 1970-71.

Drawings under the credit arrangements for the purchase of defence equipment in the United States of America are estimated to be \$78 million while repayments are estimated to be \$59 million. Drawings on overseas loans to finance advances to Qantas Airways Limited and the Australian National Airlines Commission are estimated at \$63 million, while repayments of previous loans for the airlines will be approximately \$28 million.

In the present state of international capital markets, it is not possible to make a reliable estimate of new borrowings overseas for purposes other than defence and aircraft. Maturities falling due and other payments to reduce indebtedness overseas are likely to amount to about \$93 million in 1970-71 compared with \$160 million in 1969-70. Despite this reduction in commitments, it seems likely that there will again be net repayments overseas, although they will be less than in 1969-70.

Under the *International Monetary Agreements Act 1970*, Australia will subscribe about \$147 million to the International Monetary Fund in 1970-71 to meet an equivalent increase in its quota at the Fund. Finance will have to be provided for one-quarter of this subscription, about \$38 million, which will be payable in gold, while the remainder is payable in non-negotiable, non-interest bearing notes.

Net loan proceeds and the change in the Treasury Note issue in Australia cannot be estimated in advance with any degree of assurance. The value of securities due to mature during 1970-71 held in non-official hands is estimated at \$774 million, compared with \$486

million of securities in non-official hands which matured in 1969-70, but it is difficult to estimate the extent to which these securities will be redeemed rather than converted. It is also not possible accurately to predict what changes will occur in holdings of Commonwealth securities by the public, on the one hand, and by the banking system, on the other. These will reflect monetary and other developments during the course of the year. However, on the basis of the interest rates currently being offered on Commonwealth securities and with the prospect of a build-up in liquidity in the first half of the year, a significant increase in sales of securities can be expected.

Loan Bill. Because of the difficulty of estimating the net amounts available from loan-raising operations in Australia and overseas there remains, in each year, the possibility that some borrowing from the Reserve Bank may be necessary to complete the Commonwealth's financing transactions. Accordingly, authority will be sought in a Loan Bill to borrow for defence purposes such amounts as are necessary to complete the Commonwealth's financing transactions. The Loan Bill will also seek authority to expend the proceeds on any borrowings made under it on Defence Services. The effect of charging expenditure on Defence Services to Loan Fund is to increase the amount paid from the Consolidated Revenue Fund to the Loan Consolidation and Investment Reserve.

THE BUDGET AND LIQUIDITY

It appears that the Commonwealth's domestic surplus for 1970-71 as a whole will be about \$50 million greater than in 1969-70.

By contrast with the first half of 1969-70, the indications are that there will be a private sector balance of payments surplus in the first half of 1970-71 and a moderate increase in Rural Credits advances—each of these elements showed a small decline in the first half of 1969-70. There will also be a large Commonwealth domestic deficit in this period. As a result, there will almost certainly have been a relatively large build-up in liquidity by the end of the first half of 1970-71. Against this, a substantial increase in holdings of securities by the non-bank public is likely to occur in this period.

The Commonwealth's domestic financial transactions will again draw in funds in the latter half of the year, but, at this stage, there are too many uncertainties to attempt to forecast what the monetary situation will be then. Given, however, the prospective large build-up in liquidity in the first half of the year, the possibility of acute monetary stringency would seem to be less than in 1969-70.

STATEMENT No. 5—BUDGET RESULT, 1969-70

SUMMARY

The Commonwealth Budget deficit in 1969-70 was \$7 million, which compares with the deficit of \$30 million estimated in the Budget.

The Budget estimates and outcome for 1969-70 are summarised in the following table.

	1969-70 Budget Estimate(a)	1969-70 Actual	Change on Budget Estimate	
	\$ million	\$ million	\$ million	Per cent
Expenditures	7,041	7,088	+ 47	+ 0.7
Receipts	7,011	7,081	+ 70	+ 1.0
Deficit(-)	- 30	- 7	+ 23	..

(a) Because of an accounting change, the figures shown above for the 1969-70 Budget estimates of expenditures and receipts are both \$58 million more than the estimates published in the Statements attached to the 1969-70 Budget Speech. The estimate of the deficit is not affected.

EXPENDITURES

Actual expenditures in 1969-70 and the Budget estimates for that year are set out in the following table.

	1969-70 Budget Estimate	1969-70 Actual	Change on Budget Estimate	
	\$ million	\$ million	\$ million	
Defence Services(a)	1,104	1,103	- 1	
Payments to or for the States and Works and Housing Programmes	2,401	2,417	+ 15	
National Welfare Fund	1,337	1,342	+ 4	
Repatriation Services	293	297	+ 4	
Debt Charges	107	109	+ 2	
Departmental Running Expenses(b)	441	466	+ 25	
Territories (excluding Papua and New Guinea)	81	84	+ 3	
External Economic Aid (including Papua and New Guinea)	150	153	+ 3	
Commonwealth Payments to Industry	202	191	- 11	
Other Expenditures(b)	358	368	+ 9	
Advances for Capital Purposes(b)	376	365	- 11	
Other Capital Works and Services(b)	190	193	+ 3	
Total Expenditures(b)	7,041	7,088	+ 47	

(a) The Budget estimates for 1969-70 included \$31 million for payments to be financed under credit arrangements with the United States of America; the actual amount financed during the year from this source was \$49 million.

(b) The estimates for these items differ from those shown in the Statements attached to the 1969-70 Budget Speech because of accounting changes introduced in the 1970-71 Budget.

The main variations from the Budget estimates were as follows:

Defence Services

In total, expenditure on Defence Services fell short of the Budget estimate by a net \$1 million. There were, however, variations in a number of items. Expenditure on pay and allowances of members of the Defence Forces was \$15 million greater than had been estimated and other salaries and administrative expenses were \$5 million greater, mainly

as a result of arbitration and other wage and salary determinations made after the Budget was presented. Expenditure on stores for the R.A.N. was \$3 million greater than had been estimated in the Budget and contributions to the Defence Forces Retirement Benefits Fund were \$2 million greater. There were shortfalls in expenditure on a number of equipment items. Expenditure on the purchase and manufacture of aircraft for the R.A.A.F. was \$8 million less than had been estimated as a result of the re-scheduling of payments for the F111-C aircraft. Payments for arms, armament and equipment for the Army and equipment and stores for the R.A.A.F. were each \$5 million less than had been estimated. Expenditure on accommodation and technical facilities was \$5 million less and on Naval construction \$4 million less than the Budget estimate.

Payments to or for the States and Works and Housing Programmes

Payments to or for the States and Works and Housing Programmes were a net \$15 million greater than the Budget estimate. General revenue assistance exceeded the Budget estimate by \$44 million. Mainly because the increase in average wages for the year ended March 1970 was greater than that assumed in the Budget, financial assistance grants paid to the States were \$18 million greater. No provisions were made in the Budget for special revenue assistance to the States which amounted to \$16 million, or for an advance of \$10 million made to Victoria.

Specific purpose payments of a revenue nature were a net \$3 million greater than had been estimated. Payments for drought relief were \$5 million greater and payments for universities were \$3 million greater. There were shortfalls of \$4 million and \$1 million, respectively, in payments for independent schools and for colleges of advanced education.

Specific purpose payments of a capital nature were \$32 million less than the Budget estimate. Capital payments to the States for education purposes were \$15 million less than had been estimated and included shortfalls of \$6 million in payments for colleges of advanced education and \$4 million in payments for universities. In addition, there were shortfalls of \$5 million in payments to Tasmania for a hydro-electric scheme, \$4 million in payments for dwellings for aged pensioners and \$3 million in payments for beef cattle roads.

National Welfare Fund

The payment to the National Welfare Fund was \$4 million greater than the Budget estimate. Expenditures on medical benefits were \$4 million greater and payments of hospital benefits, pharmaceutical benefits and nursing homes benefits each exceeded the Budget estimate by \$3 million. Expenditure on widows' pensions fell short of the Budget estimate by \$4 million.

Repatriation Services

Expenditure on repatriation services exceeded the Budget estimate by \$4 million, of which \$2 million related to the running expenses of repatriation hospitals and other institutions.

Departmental Running Expenses

Departmental running expenses were \$25 million greater than the Budget estimate. Expenditure on wages and salaries was \$18 million greater, mainly because of increases in wage and salary rates arising from the National Wage Case and other arbitration determinations made after the Budget was presented.

External Economic Aid (including Papua and New Guinea)

External economic aid payments exceeded the Budget estimate by \$3 million. A payment of \$3 million to the Papua and New Guinea Trust Account to provide temporary finance to cover a deficit in the Territory Budget and a repayable advance of \$2 million to the Administration of Papua and New Guinea towards the construction of a township at Arawa and the other capital costs associated with the Bougainville copper project were made during 1969-70; no provision for these payments was included in the Budget. Calls made by the International Development Association on Australia's contribution were \$3 million less than had been estimated in the Budget.

Commonwealth Payments to Industry

Commonwealth payments to industry fell short of the Budget estimate by \$11 million. Phosphate fertilizer bounty and nitrogenous fertilizer subsidy payments each fell short of the estimate by \$5 million. Industrial research and development grants were \$2 million less. Net shipbuilding subsidy payments exceeded the Budget estimate by \$2 million.

Other Expenditures

Expenditures in this category were a net \$9 million greater than the Budget estimate. Expenditures on assisted passage immigration schemes were \$2 million greater because of a larger than assumed intake of assisted migrants in 1969-70. Payments to the C.S.I.R.O. and expenditure on homes for aged persons each exceeded the Budget estimate by \$2 million. The operating expenses of the broadcasting and television services were also \$2 million greater. Expenditure on wool promotion and research was, however, \$2 million less than had been estimated.

Advances for Capital Purposes

Advances for capital purposes were \$11 million less than had been estimated in the Budget. There was a shortfall of \$19 million in advances to Qantas Airways Limited due to a re-scheduling of payments under the current aircraft re-equipment programme. There were increases in some other advances, the largest being \$4 million in the advance to the Post Office.

RECEIPTS

Actual receipts in 1969-70 and the Budget estimates for that year are set out in the following table.

	1969-70 Budget Estimate	1969-70 Actual	Change on Budget Estimate
	\$ million	\$ million	\$ million
Taxation Revenue—			
Customs Duty	395	414	+ 19
Excise Duty	960	940	- 20
Sales Tax	567	567	..
Income Tax—			
Individuals—			
Gross P.A.Y.E.	2,465	2,525	+ 60
Less—Refunds	440	440	..
Net P.A.Y.E.	2,025	2,084	+ 59
Other	817	774	- 43
Companies	1,140	1,151	+ 11
Dividend (Withholding) Tax	32	38	+ 6
Interest (Withholding) Tax	6	8	+ 2
Gross Pay-roll Tax	260	264	+ 4
Less—rebates	37	34	- 3
Net Pay-roll Tax	223	230	+ 7
Estate Duty	62	71	+ 9
Gift Duty	10	9	- 1
Total Taxation Revenue	6,237	6,287	+ 51
Other Revenue ^(a)	558	574	+ 16
National Debt Sinking Fund	154	156	+ 3
Net Increase in other balances of the Commonwealth in the Trust Fund	63	64	..
Total Receipts^(a)	7,011	7,081	+ 70

^(a) The estimates for these items differ from those shown in the Statements attached to the 1969-70 Budget Speech by \$58 million because of an accounting change introduced in the 1970-71 Budget.

The main variations from the Budget estimates were:

Customs Duty

Imports of goods subject to duty increased more than had been assumed at the time of the Budget with the result that collections of customs duty during the year were \$19 million greater than had been estimated.

Excise Duty

Collections of excise duty were \$20 million less than the Budget estimate because clearances of beer, tobacco and motor spirit increased less than had been expected.

Income Tax—Individuals—Pay-as-you-earn

Gross collections of P.A.Y.E. instalment deductions exceeded the Budget estimate by \$60 million mainly because average earnings increased by more than was assumed for the purposes of the Budget estimate. As refunds of P.A.Y.E. collections were very close to the estimate, net P.A.Y.E. collections exceeded the Budget estimate by \$59 million.

Income Tax—Individuals—Collections on Assessments

Collections on assessment of income tax on individuals were \$43 million less than had been estimated, largely because business incomes in 1968–69, particularly those of primary producers, rose less than had been estimated at the time of the Budget. These 1968–69 incomes were assessed to tax in 1969–70.

Income Tax—Companies

Company incomes in 1968–69—which were taxable in 1969–70—increased more than was estimated at the time of the Budget, with the result that collections of income tax from companies exceeded the Budget estimate by \$11 million.

Pay-roll Tax

Gross pay-roll tax collections were \$4 million more than the Budget estimate mainly because average earnings increased more rapidly than had been assumed. Rebates of pay-roll tax under the export incentive scheme were \$3 million less, so that net pay-roll tax collections exceeded the Budget estimate by \$7 million.

Estate Duty

Estate duty collections were \$9 million more than had been estimated mainly because of a greater than expected increase in the number of assessments issued during 1969–70.

Other Revenue

Other revenue exceeded the Budget estimate by \$16 million. Repayments of interest and principal on War Service Homes advances, revenue from the Department of the Interior and revenue from the Defence Departments each exceeded the estimate by \$3 million and revenue from the Department of Works exceeded the estimate by \$2 million. An amount of \$3 million, for which no provision was made in the Budget, was received from the International Monetary Fund as Australia's share of the net income of the Fund and its remuneration as a "net creditor".

FINANCING TRANSACTIONS

The following is a summary of financing transactions in 1969-70.

					\$ million
Overseas—					
Net drawings under credit arrangements—					
Defence purchases in the United States of America	..	..	..	..	3
Qantas and Australian National Airlines Commission	..	..	..	..	16
Net proceeds of other overseas borrowings	..	..	..	..	112
					131
Australia					
Net proceeds of loan raisings in Australia(a)	..	..	..	..	263
Net change in Treasury Notes on issue(b)	..	..	..	..	137
					126
Advance to Australian Wheat Board—					
Treasury Notes issued to Reserve Bank	..	..	..	..	184
Less Net Commonwealth Advance	..	..	..	..	184
					..
Other financing transactions (net)(c)	..	..	..	..	45
Residual financing—					
Borrowings from Reserve Bank	..	..	..	..	14
Amount available to increase cash balances	..	..	..	..	19
					33
Total Financing Transactions	..	..	..	..	7

(a) Includes State Domestic loan raisings.

(b) Excludes Treasury Notes issued to the Reserve Bank to finance an advance to the Australian Wheat Board.

(c) Includes amounts available to the Commonwealth from coinage and bullion transactions, amounts borrowed by Commonwealth trust accounts and amounts available from moneys held in trust.

The following are explanations of the financing transactions in 1969-70:

Net Drawings under Credit Arrangements for Defence Purchases in the United States of America

The *Loan (Defence) Act 1966* and the *Loan (Defence) Act 1968* authorized the Commonwealth to finance defence equipment purchases in the United States of America on extended payment terms. In 1969-70, finance amounting to \$51 million was obtained under these arrangements. Repayments of previous drawings amounted to \$54 million.

Net Drawings under Credit Arrangements for Aircraft Purchases—Qantas and the Australian National Airlines Commission

Repayments of aircraft loans arranged on behalf of Qantas Airways Limited and the Australian National Airlines Commission amounted to \$27 million, exceeding new drawings on aircraft loans in 1969-70 by \$16 million.

Net Proceeds of Other Overseas Borrowings

In 1969-70 one public cash loan was raised in Germany for DM150 million. In addition a re-financing loan of SW Fr60 million was arranged in Switzerland for holders of a SW Fr60 million Commonwealth loan which matured in March. These loans yielded \$48 million.

Redemptions and other expenditure on the reduction of debt overseas totalled \$160 million in 1969-70. Two maturities in London were paid off at a cost of \$82 million and maturities in New York and Switzerland were paid off at a cost of \$11 million and \$12 million respectively. Securities to the value of \$20 million in New York and \$12 million in London were repurchased. Repayments of \$20 million were also made on borrowings from

the International Bank for Reconstruction and Development and \$2 million was repaid on borrowings from the Netherlands and Canada. These expenditures on the reduction of debt exceeded overseas loan raisings by \$112 million.

Net Proceeds of Loan Raisings in Australia

Four Commonwealth public cash loans were raised in Australia in 1969-70. Excluding loan proceeds from advance subscriptions received before 30 June 1969 but including receipts in 1969-70 from outstanding instalments and advance subscriptions received up to 30 June 1970, the proceeds from these cash loans totalled \$526 million. Cash proceeds from the sale of Special Bonds during the year totalled \$134 million. Proceeds of \$16 million from State domestic raisings and \$2 million from Drought Bonds brought total cash proceeds from loans raised in Australia to \$678 million during 1969-70.

Of the \$896 million securities (other than Special Bonds) maturing in Australia which were offered for conversion in 1969-70, securities amounting to \$303 million were redeemed. Redemptions of Special Bonds of all series amounted to \$85 million. In addition, there were redemptions of \$1 million of Drought Bonds. Other redemptions, market repurchases and contractual repayments in Australia amounted to \$27 million. Total redemptions and repurchases in Australia were, therefore, \$414 million, so that the net proceeds of loans raised in Australia in 1969-70 were \$263 million.

Net Change in Treasury Notes on Issue and Net Advance to the Australian Wheat Board

There was a net decline of \$137 million in Treasury Notes other than those involved in the provision of finance for the Australian Wheat Board. An advance of \$250 million made to the Wheat Board in March 1970 to finance its repayments in respect of the 1968-69 wheat crop to the Rural Credits Department of the Reserve Bank was financed by the issue of \$250 million in Treasury Notes to the Reserve Bank. Repayments received from the Wheat Board, which reduced the amount outstanding on this advance to \$184 million, were applied to the redemption of Treasury Notes. At 30 June 1970 Treasury Notes on issue amounted to \$252 million, a net increase of \$47 million on the amount on issue at 30 June 1969.

Other Financing Transactions

An amount of \$45 million was available from these transactions in 1969-70. The largest item was an amount of \$27 million in respect of coinage transactions, principally on account of the sale overseas of silver recovered from withdrawn coin.

Residual Financing

The amount available from the financing transactions mentioned above exceeded the deficit by \$33 million. Of this amount, \$14 million was applied to redeem the Treasury Bills which remained on issue to the Reserve Bank at 30 June 1969. The remaining \$19 million was added to Commonwealth cash balances.

STATEMENT No. 6—BUDGET ESTIMATES IN NATIONAL ACCOUNTS FORM

The presentation of receipts and outlay in national accounting form facilitates the analysis of relationships between the Budget and the economy as a whole. The following table summarizes in this form the actual outcome in 1969–70 and the prospective outcome for 1970–71. A more detailed table appears on page 47 ⁽¹⁾.

RECEIPTS AND OUTLAY OF COMMONWEALTH BUDGET

	1969–70 Actual	1970–71 Estimate	Increases	
			1968–69 to 1969–70	1969–70 to 1970–71
	\$ million	\$ million	\$ million	\$ million
<i>Outlay</i>				
Net expenditure on goods and services ..	1,950	2,131	34	181
Transfer payments and net advances ..	5,163	5,784	522	621
Total outlay	7,113	7,915	555	802
<i>Receipts</i>				
Taxation	6,339	7,050	850	711
Other receipts	767	870	84	103
Total receipts	7,106	7,920	934	814
Deficit(–) or Surplus(+)	–7	+4	+379	+11

The estimated increase of \$802 million in total outlay in 1970–71 is \$247 million greater than the actual increase of \$555 million in 1969–70. In percentage terms the estimates imply an increase of 11.3 per cent this year, compared with an actual increase of 8.5 per cent in 1969–70.

Total receipts are estimated to increase by \$814 million or 11.5 per cent in 1970–71 compared with an increase of \$934 million or 15.1 per cent in 1969–70.

The effects on the economy of particular classes of outlays and receipts, within these totals, differ significantly one from another. The more important distinctions for purposes of assessing the implications of the Commonwealth's transactions for demand and incomes within Australia and for the balance of payments are considered in the following sections.

⁽¹⁾ A Supplement to the Treasury Information Bulletin entitled 'National Accounting Estimates of Public Authority Receipts and Expenditure', being published concurrently with the Budget, provides corresponding data for Commonwealth authorities outside the Budget and additional information on various aspects of the national accounting presentation employed in this Statement.

Payments in Australia and overseas

On the outlay side of the Budget there is an important distinction between payments made within Australia and payments made overseas. The immediate effects of overseas outlays are on the balance of payments⁽¹⁾; such outlays must therefore be deducted from total outlay as a step in the process of assessing the impact of the Budget on the domestic economy in the year immediately ahead. This is done in the following table:

	1969-70 Actual	1970-71 Estimate	Increases	
			1968-69 to 1969-70	1969-70 to 1970-71
	\$ million	\$ million	\$ million	\$ million
Total outlay	7,113	7,915	555	802
Less—Overseas outlay	517	569	-83	52
Domestic outlay	6,596	7,346	638	750

The table shows that a considerable part of the greater increase in total outlay this year is attributable to the trend in the overseas component. Following a decrease of \$83 million in 1969-70, overseas outlays are estimated to increase by \$52 million in the current year⁽²⁾.

After deducting overseas outlay the estimated increase in domestic outlay is \$750 million compared with an actual increase of \$638 million in 1969-70. This represents an estimated increase of 11.4 per cent this year, compared with an actual increase of 10.7 per cent in 1969-70. The increase in Budget outlays within Australia is estimated to be greater in 1970-71 than in 1969-70, but it is smaller than the concurrent increase in receipts. The implications of the domestic surplus for liquidity conditions are discussed in Statement No. 4.

Composition of domestic outlay

Within the domestic component of outlay there is a further basic distinction to be made between expenditure on goods and services, and transfers and advances from the Budget. Expenditure on goods and services adds *directly* to demand within the economy (gross national expenditure), while the impact on demand of transfers and advances depends on their effects on the spending of the recipients⁽³⁾.

⁽¹⁾ Such payments do not add to domestic incomes and the demand for locally-produced goods and services. Payments within Australia may add *indirectly* to overseas rather than Australian incomes, because orders met by local suppliers may include an import content. Although it is not possible to make reliable estimates of the import content of Commonwealth expenditure within Australia, the proportion would not be large, and it may be assumed that it is unlikely to change markedly between one year and the next. By contrast, direct payments overseas by the Commonwealth may fluctuate widely between one year and another.

⁽²⁾ The main overseas components are shown separately in Table 2 on page 9 of the Supplement to the Treasury Information Bulletin, entitled 'National Accounting Estimates of Public Authority Receipts and Expenditure', being published concurrently with the Budget.

⁽³⁾ Whether payments from the Commonwealth Budget are themselves a source of demand for domestic resources, or add to demand indirectly by transferring purchasing power to other public authorities or the private sector, the initial impact of Budget outlays on expenditure can be expected to induce further increases which are financed out of the incomes earned in meeting the initial change in demand. As the *relative* sizes of the total increase in demand in two successive years would depend largely on the relative sizes of the initial increases which supported them, these 'multiplier' effects are not considered explicitly in the discussion which follows.

The following table compares, for each main component of domestic outlay, the estimated increase in 1970-71 with the actual increase in 1969-70.

	Increases in Domestic Outlay			
	\$ million		Per cent	
	1968-69 to 1969-70	1969-70 to 1970-71	1968-69 to 1969-70	1969-70 to 1970-71
Net expenditure on goods and services—				
War and defence	42	49	5.3	5.9
Other current expenditure	80	90	14.2	14.0
Capital expenditure	13	51	7.3	26.8
Total	135	190	8.9	11.4
Transfer payments and net advances—				
to States	243	286	11.9	12.5
Cash benefits to persons	192	147	13.7	9.2
Post Office	28	7	13.7	3.0
Other	42	120	5.4	14.6
Total	504	560	11.4	11.3
Total domestic outlay	638	750	10.7	11.4

The estimated percentage increase in domestic expenditure on goods and services is greater than in 1969-70. This is true also of two of the main components distinguished in the table—war and defence, and capital expenditure; the estimated percentage increase in other current expenditure, on the other hand, is expected to be marginally less than in 1969-70.

Although a rather larger increase than in 1969-70 is expected in domestic transfer payments and net advances, the estimated percentage increase in the total for this category is almost the same in both years. As noted above, the impact of these payments on demand and incomes depends on their effects on the spending of the recipients.

Grants and advances to the States are estimated to rise by 12.5 per cent in 1970-71, compared with 11.9 per cent in 1969-70. The larger rise in these payments in 1970-71 will increase the funds available to finance the expenditures of the States and their authorities, which are predominantly expenditures on goods and services.

Cash benefits to persons are estimated to increase by 9.2 per cent in 1970-71 compared with 13.7 per cent in 1969-70. For the purpose of judging the influence of such payments on rates of income or expenditure within a year, these increases should be adjusted to remove the effects of variations in the incidence of pay-days and to allow for the 'full-year' effects of changes in rates of benefit⁽¹⁾. After these adjustments, the estimated increase in cash benefits in 1970-71 is 9.5 per cent compared with 12.7 per cent in 1969-70. These payments would largely be spent by the recipients on goods and services.

The smaller increase in the advance to the Post Office results from a larger increase in capital expenditure on goods and services⁽²⁾ being more than offset by a prospective increase in internal resources associated with the increased charges for postal and telephone services.

The larger estimated increase of \$120 million in other transfer payments and net advances in 1970-71 compared with the increase of \$42 million in 1969-70 is mainly attributable to expected payments of \$31 million under the wheat industry stabilisation scheme and \$30 million in emergency assistance to woolgrowers in the current year.

⁽¹⁾ A table showing how this adjustment is derived appears on page 10 of the Supplement to the Treasury Information Bulletin being published concurrently with the Budget.

⁽²⁾ The capital expenditure of the Post Office is included with that of other authorities in the non-budget sub-sector. See Table 7 of the Supplement to the Treasury Information Bulletin being published concurrently with the Budget.

Composition of Receipts

As on the expenditure side of the Budget, there are differences in the significance which different classes of receipts may have for prospective trends in the economy.

The distinction drawn on the outlay side between transactions within Australia and transactions overseas does not have the same practical importance here. With relatively few exceptions, the budget receipts are derived from within Australia.

Another distinction is between movements in receipts which are expected to emerge as by-products of evolving trends in incomes and spending in the economy and those which are consequential on changes in rates of taxation or other charges. Any estimated rise in receipts of the former class will reflect expected increases in incomes and spending and cannot therefore be regarded as an independent factor capable of varying those expectations. The second class of movements in receipts can be regarded as a source of influence on evolving trends⁽¹⁾.

It is not, in practice, easy to classify all increases in receipts in this way. For the most part, movements which would be expected in gross collections of P.A.Y.E. instalment deductions, indirect taxes and the income of public enterprises, at existing rates and charges, fall within the former class. But the position as regards movements in taxation collections at existing rates from individuals subject to provisional tax and from companies can be somewhat blurred; it depends on past trends in income and on the spending and saving habits of various classes of taxpayers. As mentioned above, the second class of movements in receipts is most clearly exemplified by new revenue measures which involve changes in rates of taxation or in other charges.

In 1970-71 there is a large increase in estimated receipts which is expected to be induced by the prospective growth in expenditure and incomes in the economy. However, the main factor on the receipts side, as regards the economic influence of the Budget, is in the changes in taxation rates for which provision has been made this year.

The reduction in personal income taxation rates at a full-year cost to revenue of \$292 million will, in itself, add to spending. However, there are expected to be lags between the increase in disposable income and the changes in spending it induces; thus there will be some increase in short-term saving and, possibly, a longer-term lift in saving. There will also be lags before the disposable income of persons subject to provisional tax reflects the effects of the new tax provisions. But certainly a sizeable part of the \$292 million will go to add to demand in the year ahead.

The changes in excise and customs duty and sales tax—estimated to add \$154 million to revenue in a full year—can be expected to have a near commensurate effect on purchasing power and hence demand. In terms of influencing the trend in demand, changes in indirect taxes of these sorts have a more immediate effect than changes in other forms of taxation.

The increase in rates of company tax, estimated to yield \$81 million in a full year will, other things being equal, reduce the funds available to companies for investment and distribution to shareholders; however, the actual effects on spending and in particular the timing of those effects depend on a variety of circumstances including the ability of companies to compete for alternative sources of funds or to 'pass on' the increased tax rates in the form of higher prices. Eventually, the increased revenue collected by the Commonwealth

⁽¹⁾ Both classes of movements in receipts will, of course, be reflected in the expected overall Budget outcome. It might be noted that revenue estimates may sometimes reflect prospective trends in some particular areas of activity which are not the most desirable from the point of view of economic balance and reasonable price stability but which cannot, in practice, be corrected fully or quickly enough by fiscal or monetary means. An example relevant to the revenue estimates for 1970-71 is the very large increase which has been assumed in average earnings. Should average earnings rise less than assumed, taxation revenue would be less than estimated and a budget deficit would emerge (although the extent of such a deficit would not reflect the full extent of the shortfall in receipts, because some components of expenditure—for example, financial assistance grants to the States—could also be lower than estimated if average earnings rose more slowly than assumed). It would not follow, however, that the Budget objective of maintaining an environment conducive to balanced economic growth would be adversely affected by such a development; on the contrary, such a result would be more likely to serve the broad economic purposes to which budget policy is directed.

A somewhat similar observation can be made about any movement in receipts which emerges as a consequence of developments in the economy which were not foreseen at the time the Budget was framed. For example, if an increase in receipts were to result, say, from an unforeseen rise in wages, it would be misleading to say that, because of that increase in receipts, the Budget had exercised a more restraining influence than originally envisaged.

as a result of the increased tax rates will be at the expense of alternative uses of the funds concerned but the chain of causation is much more complex than in the case, say, of indirect tax increases.

In summary, then, changed taxation rates will lead, in 1970-71, to an increase in indirect tax collections at an annual rate of \$154 million with a quick consequential effect on spending; to a reduction in personal income taxation in a full year of \$292 million with a slower and less complete effect on spending; and to an increase in company taxation of \$81 million, with a fairly indirect and possibly slow effect on spending. The net effect of all these changed taxation provisions on aggregate spending in 1970-71 is likely to be very small.

Review

The implications of Budget transactions, in terms of their initial impact on trends in expenditure and income in the economy, depend not on *total* outlays and receipts, but primarily on the change in domestic outlays, and on that part of the change in receipts which is not a mere *result* of prospective movements in the economy. The following considerations are therefore relevant to a comparison, from this standpoint, of the 1970-71 Budget with that of 1969-70:

- (a) The estimated increase of 11.4 per cent in domestic expenditure on goods and services is higher than the increase of 8.9 per cent in 1969-70, but the estimated increase of 11.3 per cent in transfer payments and net advances within Australia is almost the same as that in 1969-70. Overall, the estimated increase of 11.4 per cent in total domestic outlay is not greatly different from the increase of 10.7 per cent in 1969-70;
- (b) On the receipt side, the reductions in personal income tax will have an expansionary influence but after taking account of the contrary influences of the increases in indirect taxation and in company tax, the net effect of these changed taxation provisions on aggregate spending in 1970-71 is likely to be very small;
- (c) Although the outlays and receipts of the Budget have an important influence on trends in the economy in the year ahead, the likely economic effects of a Budget can be assessed only in the context of all of the more important influences operating at the time in the economy as a whole.

RECEIPTS AND OUTLAY OF COMMONWEALTH BUDGET

	1968-69	1969-70	1970-71 Estimate
	\$ million	\$ million	\$ million
Outlay—			
Net expenditure on goods and services—			
Current expenditure—			
War and defence	1,078	1,017	1,063
Repatriation	77	84	91
Development of resources and assistance to industry	146	156	178
Civil aviation	33	38	40
Immigration	53	59	61
Law, order and public safety	13	16	17
Education	34	41	51
Public health and welfare	54	64	77
External affairs	25	31	33
All other	217	250	273
	1,731	1,755	1,884
Capital expenditure(a)—			
Public enterprises—			
Houses and flats	12	15	247
Other	34	32	
Public authorities—			
Transport	61	63	247
Other	78	84	
	185	195	
Total	1,916	1,950	2,131
Transfer payments—			
Cash benefits to person	1,406	1,598	1,745
Grants to States	1,419	1,620	(b)2,065
Interest paid	502	546	577
Overseas grants and contributions	159	180	185
Subsidies	232	213	291
Grants for private capital purposes	31	33	35
Total	3,750	4,189	4,898
Total Expenditure	5,666	6,139	7,030
Net advances—			
to States—Works purposes	484	518	(b)364
Housing agreement	113	118	127
Other	28	31	17
	625	667	508
to Commonwealth authorities—Post Office	205	233	240
S.M.H.E.A.	30	33	28
Airlines	-12	-16	35
Other	13	21	33
	235	271	336
to Other sectors—by War Service Homes	11	11	14
Other	20	25	28
	31	36	42
Total	891	974	886
Total Outlay	6,558	7,113	7,915
Receipts—			
Taxation—			
Indirect taxes	2,002	2,207	2,492
Income taxes on companies	1,039	1,197	1,452
Income taxes on persons—P.A.Y.E.	1,727	2,084	2,275
Other	650	771	758
Estate and gift duties	70	80	74
Total	5,489	6,339	7,050
Other receipts—			
Interest, rent and dividends	642	711	805
Gross income of public enterprises	42	44	53
Net sales of existing assets	-1	12	12
Total	683	767	870
Total Receipts	6,172	7,106	7,920
Deficit (-) or Surplus (+)	-385	-7	+4

(a) Consisting of fixed capital expenditure on new assets plus increase in stocks.

(b) An interest-free capital grant of \$200 million under the works programme is included in Grants to States

STATEMENT No. 7—COMMONWEALTH BUDGET TRANSACTIONS SINCE 1960-61

Tables 1 and 2 on pages 52 and 53 show Commonwealth expenditures and receipts and financing transactions since 1960-61 in 'conventional' terms. Subject to the qualifications outlined later in this Statement, the figures are broadly consistent with the figures for 1969-70 and the estimates for 1970-71 set out in Statements No. 1 to 5.

Table 3 on pages 54 and 55 shows figures for each year since 1960-61 in national accounting form. In this form, transfers between different parts of the Commonwealth's accounts are eliminated so that the figures shown relate to the transactions which occur between the Commonwealth Government and the rest of the economy or overseas. These transactions are classified into economically significant categories, corresponding with those for which similar information is provided, in respect of past years, for the entire economy in the White Paper on National Income and Expenditure. The figures contained in this table are comparable with those set out in Statement No. 6. Notes on the composition of the figures are set out later in this Statement.

In each of the past years covered by the tables there was a Budget deficit. However, the size of the deficit varied from a peak of \$642 million in 1967-68 to comparatively small deficits at the beginning and the end of the period—there was a deficit of \$32 million in 1960-61 and a deficit of \$7 million in 1969-70.

Total expenditures increased by 120 per cent to \$7,088 million between 1960-61 and 1969-70. The larger items of expenditure, defence services, payments to or for the States and Works and Housing programmes and the payment to the National Welfare Fund, increased, respectively, by 175 per cent, 105 per cent and 103 per cent. The most rapid increases were 323 per cent in Commonwealth payments to industry, 257 per cent in expenditure on territories (excluding Papua and New Guinea), 216 per cent in departmental running expenses and 204 per cent in expenditure on external economic aid (including Papua and New Guinea).

Total receipts increased by 122 per cent to \$7,081 million between 1960-61 and 1969-70. The main factor contributing to this increase was a rise of 224 per cent in net pay-as-you-earn collections of income tax on wage and salary incomes. In 1960-61 these collections accounted for 20 per cent of total receipts; in 1969-70 they accounted for close to 30 per cent. Other income tax collections from individuals rose by 96 per cent and income tax collections from companies by 104 per cent in this period.

A feature of the financing transactions for the period as a whole is that the \$402 million of Treasury Bills outstanding at 1 July 1960 were redeemed by 30 June 1970. Of these redemptions, \$255 million is accounted for by funding operations in 1964-65 and 1966-67 in which Treasury Bills held by the Reserve Bank were converted to longer term securities. The balance is accounted for by the net excess of loan raisings and other financing transactions over Commonwealth deficits in the period. Though the Commonwealth's indebtedness to the Reserve Bank represented by Treasury Bills declined by over \$400 million, its indebtedness represented by other securities held by the Reserve Bank rose by about \$650 million in this period.

Over the period 1960-61 to 1969-70 Commonwealth Budget outlays increased as a proportion of Gross National Expenditure, rising from 21.4 per cent in 1960-61 to 23.6 per cent in 1969-70. The composition of Commonwealth Budget outlays in 1960-61 and 1969-70 is shown in the following table.

	1960-61		1969-70	
	\$ million	Percentage of G.N.E.	\$ million	Percentage of G.N.E.
Net expenditure on goods and services—				
War and Defence	384	2.5	1,017	3.4
Other	324	2.1	933	3.1
Total	708	4.7	1,950	6.5
Transfer payments—				
Cash benefits to persons	820	5.4	1,598	5.3
Grants to States	715	4.7	1,620	5.4
Other	411	2.7	971	3.2
Total	1,946	12.9	4,189	13.9
Net Advances—				
To States	404	2.7	667	2.2
To Commonwealth authorities	104	0.7	271	0.9
To other sectors	75	0.5	36	0.1
Total	583	3.9	974	3.2
Total Outlay	3,237	21.4	7,113	23.6

The main feature of these figures is the strong growth in Commonwealth outlays on goods and services which, since 1960-61, have increased almost twice as rapidly as Gross National Expenditure. Transfer payments and net advances grew faster than Gross National Expenditure over the period, though at a slower rate than outlays on goods and services.

The composition of Commonwealth receipts, in national accounting terms, in 1960-61 and 1969-70 is shown in the following table.

	1960-61		1969-70	
	\$ million	Percentage of Total	\$ million	Percentage of Total
Receipts—				
Taxation—				
Indirect taxes	1,202	37.5	2,207	31.1
Income taxes on companies	577	18.0	1,197	16.8
Income taxes on persons—				
P.A.Y.E.	643	20.1	2,084	29.3
Other	394	12.3	771	10.8
Estate and Gift Duties	35	1.1	80	1.1
Total Taxation	2,851	89.0	6,339	89.2
Other Receipts	353	11.0	767	10.8
Total Receipts	3,204	100.0	7,106	100.0

The proportion of total receipts collected by way of indirect taxes declined from 37.5 per cent in 1960-61 to 31.1 per cent in 1969-70, while pay-as-you-earn tax collections from wage and salary incomes increased from 20.1 per cent in 1960-61 to 29.3 per cent in 1969-70.

NOTES ON TABLES 1 AND 2: FIGURES IN 'CONVENTIONAL' TERMS

The presentation of the Budget figures has been altered in that Commonwealth expenditure on the operating costs of the broadcasting and television services has been included under the expenditure item 'Other Expenditures', whereas previously these expenditures were offset against revenue from broadcasting and television services under the item 'Other Revenue'. This accounting change increases 'Other Revenue' and 'Total Receipts' in 1969-70 by \$60,338,000 and also increases 'Other Expenditures' and 'Total Expenditures' by a like amount, so that the deficit is unchanged. Table 1 below sets out figures on this revised basis back to 1960-61.

Numerous changes have been made in the accounting arrangements of the Commonwealth Government since 1960-61. The figures in the tables have been adjusted where possible to produce the greatest practicable degree of consistency, but it has not been possible to remove all inconsistencies. The more important that remain are:

- (a) since 1963-64, some credits, which in earlier years had been offset against expenditure, have been included as revenue. The amount of these credits in 1963-64 was \$26,445,000;
- (b) a revision of the National Debt Sinking Fund Act in 1966 reduced Debt Charges in 1966-67 by about \$50,000,000 and the income of the National Debt Sinking Fund by about \$82,000,000, and increased Other Revenue by about \$32,000,000;
- (c) the figures for the years 1966-67 and 1967-68 have been adjusted to remove the effects of accounting changes made in 1968-69. It has not been possible, however, to adjust the figures for earlier years. The effect of these changes on the 1966-67 figures is to increase both expenditures and receipts by \$12,904,000

Other inconsistencies remaining do not involve substantial sums and are unlikely to affect significantly the comparability of the figures.

EXPENDITURES AND RECEIPTS

The figures for expenditures in Table 1 exclude redemptions of debt of the Commonwealth and some transfers made to trust accounts such as transfers made to the Loan Consolidation and Investment Reserve. As a number of changes have been made to the classifications of expenditures, figures included in these tables differ from those in previous Budget documents.

The following notes refer to the larger adjustments which have been made to the figures of expenditures and receipts appearing in the Budget documents for earlier years:

- (a) the figures for the years 1960-61 to 1967-68 have been adjusted to take account of an alteration in the accounting arrangements for the Post Office. A single payment representing the net funds provided from the Consolidated Revenue Fund is now included under the item Advances for Capital Purposes. The figures for Other Expenditures and Other Revenue are also affected;
- (b) operating expenditures of the Commonwealth Railways are no longer shown separately. They have been offset against revenue in order to show net receipts from this business undertaking;
- (c) The receipts heading 'Net Increase in Other Balances' used in the Budget documents for the years prior to 1968-69 has been dissected to distinguish between transactions which are in the nature of financing items and those which should be regarded as being in the nature of normal receipts and expenditures of the Commonwealth. The latter are included under the receipts item 'Net Increase in Other Balances of the Commonwealth in the Trust Fund'.

FINANCING TRANSACTIONS

The following notes explain the composition of some headings in Table 2 which summarises the Commonwealth's financing transactions:

- (a) The figures for loan proceeds and drawings on credit arrangements include the actual cash proceeds from loans, etc. credited to Loan Fund in 1969-70 or their equivalents for earlier years. The figures for loan proceeds in Australia include amounts raised through State domestic loan raisings but exclude amounts subscribed by the Commonwealth to special loans.
- (b) The redemption and repayment items, both 'Overseas' and 'Australia', consist of outlays incurred in reducing the amount of debt outstanding (other than temporary borrowings by way of Treasury Bills and Treasury Notes). They include all outlays on redemptions, repurchases and repayments from the National Debt Sinking Fund and all outlays on redemptions, etc., from Loan Fund, from the Consolidated Revenue Fund and from the Canadian and Swiss Loan Trust Accounts.
- (c) The figures shown under the heading 'Advance to Australian Wheat Board' represent amounts outstanding in respect of Treasury Notes issued to the Reserve Bank to finance an advance to the Wheat Board and the net indebtedness of the Wheat Board to the Commonwealth in this respect. The advance, made by the Commonwealth in 1969-70, was to enable the Wheat Board to finance its repayments in respect of the 1968-69 wheat crop to the Rural Credits Department of the Reserve Bank.

NOTES ON TABLE 3: FIGURES IN NATIONAL ACCOUNTING TERMS

OUTLAY

Net expenditure on goods and services. This heading covers direct purchases of domestic output and imports, and includes wages and salaries of government employees and pay and allowances of defence forces. Any recoupments of such expenditures from other sectors of the economy or overseas are netted off. Current and capital expenditures are shown separately, and each is further classified by function. In accordance with national accounting conventions, all equipment purchased for defence purposes is classified as current expenditure.

Transfer payments. Current payments to other parts of the economy or overseas, other than payments for goods or services supplied, are listed in their various forms under this heading.

Net advances. Loans, advances and additional capital made available by the Commonwealth are shown in the respective items under this heading. Repayments of loans and advances are deducted to arrive at the net figures.

RECEIPTS

Taxation. This heading includes, in addition to the larger items listed under the item 'Taxation' in Table 1, some minor indirect taxes included in 'Other Revenue' in that table. Small amounts of expenditure are offset against receipts.

Interest, rent and dividends. Interest on loans to the private sector is not included in this item, but is treated as financial enterprises income and included in the next item.

Gross income of public enterprises. This item represents gross income, less operating expenses, of enterprises which operate within the Budget. It includes interest received on advances to the private sector, which is treated as financial enterprises income.

Net sales of existing assets. The principal components of this item are sales of land, houses and other buildings, less acquisitions of sites and existing buildings.

DEFICIT

This item is the difference between total outlay and total receipts. It consists of net sales of Commonwealth securities other than to Commonwealth Government trust funds, less net purchases of other investments by Commonwealth Government trust funds, less the net increase in cash, less funds provided for the International Monetary Fund, plus minor changes in other liabilities.

TABLE 1—SUMMARY OF COMMONWEALTH EXPENDITURES AND RECEIPTS, 1960-61 TO 1969-70, AND 1970-71 (ESTIMATE)

	1960-61	1961-62	1962-63	1963-64 (a)	1964-65	1965-66	1966-67 (b)	1967-68	1968-69	1969-70	1970-71 Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenditures—											
Defence Services(c)	401,292	410,815	432,020	520,703	608,382	747,583	937,937	1,115,434	1,164,697	1,103,060	1,136,988
Payments to for the States and Works and Housing	1,178,619	1,306,495	1,381,720	1,463,407	1,558,150	1,720,595	1,861,780	2,030,574	2,157,224	2,416,615	2,708,109
Programmes(d)	661,209	730,383	758,589	832,696	890,366	941,574	1,031,117	1,075,049	1,284,421	1,341,799	1,472,865
Payments to National Welfare Fund	178,665	190,754	204,360	232,387	229,332	231,574	250,680	260,091	286,704	296,704	313,494
Recreation	135,903	136,157	138,368	137,906	143,048	142,406	96,364	106,134	111,519	108,767	103,866
Debt Charges(e)	147,710	167,151	177,203	168,240	230,396	235,692	320,046	329,089	398,909	466,477	510,290
Departmental Running Expenses	23,220	25,631	29,220	34,092	44,381	44,381	52,478	61,390	73,286	83,972	96,266
Territories(f)	30,458	34,797	65,448	75,520	85,643	96,072	111,205	126,327	137,651	153,308	166,210
External Economic Aid(g)	4,123	69,336	66,892	93,320	79,778	115,653	130,004	179,302	190,840	190,840	271,351
Commonwealth Payments to Industry	126,772	133,461	143,643	173,018	220,765	267,019	282,929	296,095	343,399	367,672	412,623
Other Expenditures	203,214	254,122	233,787	247,860	281,360	298,174	331,062	368,281	323,832	365,480	443,153
Advances for Capital Purposes(h)	72,144	90,644	91,939	101,014	117,187	125,836	145,172	170,487	189,819	193,170	247,294
Other Capital Works and Services	3,224,630	3,571,744	3,725,192	4,115,230	4,483,930	5,008,550	5,570,774	6,148,206	6,569,033	7,087,863	7,882,708
Total Expenditures	203,645	170,402	210,139	232,854	268,779	272,361	277,032	313,668	347,746	414,487	462,800
Receipts—	514,824	531,214	548,751	582,172	630,959	751,238	805,911	853,558	901,014	939,712	1,080,000
Excise Duty	346,031	297,636	313,066	325,105	362,761	369,390	379,270	417,012	494,063	567,359	645,000
Sales Tax	642,804	653,554	684,426	792,242	990,601	1,160,369	1,323,537	1,507,456	1,727,290	2,084,219	2,274,500
Individuals—	394,685	421,136	398,998	480,045	579,923	570,974	599,043	669,949	652,176	773,917	761,500
P. A. Y. E. (net)	565,124	565,376	519,828	586,260	709,044	801,105	784,544	836,664	1,006,543	1,151,364	1,401,000
Other	122,519	16,233	17,926	15,936	17,247	17,247	22,708	22,676	32,759	46,023	50,500
Companies	122,519	121,943	126,510	136,443	150,078	161,943	172,232	184,416	205,568	230,489	252,000
Dividend and Interest (Withholding) Taxes	35,181	39,652	42,027	46,359	48,839	42,319	49,192	63,260	70,101	79,886	73,500
Pay-roll Tax (net)	2,836,733	2,817,147	2,861,673	3,197,417	3,737,022	4,146,947	4,413,468	4,868,610	5,437,260	6,287,436	7,000,800
Estate and Gift Duties(i)	202,072	225,059	251,783	301,453	329,569	372,799	440,110	450,426	537,301	573,730	645,188
Total Taxation Revenue	146,958	153,101	163,576	177,838	192,624	202,178	131,857	141,016	153,713	156,264	157,061
Other Revenue	6,600	17,973	30,668	19,745	22,170	31,858	33,573	45,797	55,447	63,679	84,100
National Debt Sinking Fund(j)	3,192,363	3,213,280	3,309,703	3,696,453	4,301,384	4,753,781	5,019,008	5,505,849	6,183,722	7,081,110	7,887,148
Trust Fund	32,267	358,464	415,489	418,776	482,566	524,768	551,765	642,157	785,111	675,311	444
Total Receipts	32,267	358,464	415,489	418,776	482,566	524,768	551,765	642,157	785,111	675,311	444
Surplus (+) Deficit (-)	117,144	160,399	165,642	185,922	193,785	278,877	274,733	339,886	336,667	367,223	417,158

(a) Comparisons between the figures for 1962-63 and 1963-64 are affected by accounting changes which had the effect of increasing both expenditures and receipts by about \$26,445,000. Other Revenue was increased by \$26,445,000. On the expenditure side, Defence Services were increased by \$13,032,000. Other Expenditures by \$9,176,000. Departmental Running Expenses by \$3,237,000 and Repatriation Services by about \$1,000,000. The revised accounting arrangements also involved minor changes as between certain items of expenditure, including most of those previously mentioned.

(b) Comparisons between the figures for 1965-66 and 1966-67 are affected by accounting changes as between certain items of expenditure, including most of those previously mentioned. A reduction of \$82,000,000 in the income of the National Debt Sinking Fund and an increase of about \$32,000,000 in Other Revenue, all of which reflect the revision of the National Debt Sinking Fund Act. In addition, the figures for 1966-67 and subsequent years have been adjusted to eliminate the effects of accounting changes which occurred in 1968-69 and 1970-71.

(c) Includes expenditure financed or to be financed under credit arrangements with the United States of America: 1966-67—\$90,553,000; 1967-68—\$132,138,000; 1968-69—\$91,212,000; 1969-70—\$46,915,000 and 1970-71—\$77,630,000 (estimated).

(d) Includes the proceeds of State domestic loan raisings.

(e) Interest payments relating to the drawings under the credit arrangements for the purchase of defence equipment in the United States of America are included under Defence Services.

(f) Excludes expenditure on Papua and New Guinea and on capital works and services, but includes expenditure on the Australian School of Pacific Administration.

(g) Includes expenditure shown under the heading 'Papua and New Guinea' in the Appropriation Acts, but excludes some direct expenditure of an economic nature in Papua and New Guinea incurred by various Commonwealth departments out of other votes in the Budget.

(h) Other than advances to the States.

(i) Includes collections of land tax outstanding in years prior to 1962-63.

(j) Excludes profits on realisation of investments and repayments of advances by the Australian Wheat Board.

TABLE 3—RECEIPTS AND OUTLAY OF COMMONWEALTH BUDGET IN

	1960-61	1961-62	1962-63	1963-64
	\$ million	\$ million	\$ million	\$ million
Outlay—				
Net expenditure on goods and services—				
Current expenditure—				
War and defence	384	396	410	485
Reparation	41	45	49	53
Development of resources and assistance to industry	51	61	68	77
Civil aviation	17	17	20	22
Immigration	20	18	21	26
Law, order and public safety	4	4	5	5
Education	9	10	12	13
Public health and welfare	24	24	28	28
External affairs	8	9	10	14
All other	82	85	89	(a) 103
	640	669	712	(a) 827
Capital expenditure(b)—				
Public enterprises—				
Houses and flats	8	8	10	8
Other	10	12	15	16
Public authorities—				
Transport	13	19	21	22
Other	37	39	40	(c) 49
	68	78	86	(c) 95
Total	708	747	798	922
Transfer payments—				
Cash benefits to persons	820	901	937	1,029
Grants to States	715	800	852	896
Interest paid	292	314	337	361
Overseas grants and contributions	51	65	72	86
Subsidies	61	83	71	101
Grants for private capital purposes	7	10	9	9
Total	1,946	2,173	2,278	2,482
Total Expenditure	2,634	2,919	3,076	3,404
Net advances—				
to States—Works purposes	327	332	346	373
Housing agreement	68	94	90	92
Other	9	15	22	25
	404	441	458	490
to Commonwealth authorities—Post Office	82	100	97	105
S.M.H.E.A.	37	32	43	46
Airlines	3	18	-6	-7
Other	-18	24	5	16
	104	174	139	159
to Other Sectors—by War Service Homes	50	51	53	43
Other	25	13	15	16
	75	64	68	59
Total	583	679	665	708
Total Outlay	3,237	3,598	3,742	4,111
Receipts—				
Taxation—Indirect taxes	1,202	1,139	1,220	1,301
Income taxes on companies	577	582	538	602
Income taxes on persons—P.A.Y.E.	643	654	684	792
Other	394	420	399	480
Estate and gift duties	35	40	42	46
Total	2,851	2,835	2,882	3,220
Other receipts—				
Interest, rent and dividends	328	369	407	429
Gross income of public enterprises	28	33	33	34
Net sales of existing assets	-3	2	5	9
Total	353	404	445	472
Total Receipts	3,204	3,239	3,327	3,692
Deficit(-) or Surplus(+)	-32	-358	-415	-419

(a) A change in Department of Works accounting procedures accounts for \$6 million of the increase in 1963-64.

(b) Consisting of fixed capital expenditure on new assets plus increase in stocks.

NATIONAL ACCOUNTING FORM, 1960-61 TO 1969-70, AND 1970-71 (ESTIMATE)

1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71 Estimate
\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
559	685	877	1,041	1,078	1,017	1,063
55	61	67	72	77	84	91
99	110	119	128	146	156	178
24	24	27	30	33	38	40
33	33	35	38	53	59	61
6	7	10	12	13	16	17
17	20	22	28	34	41	51
31	35	40	47	54	64	77
15	17	18	23	25	31	33
126	138	172	194	217	250	273
964	1,131	1,388	1,614	1,731	1,755	1,884
9	12	9	11	12	15	} 247
23	24	32	38	34	32	
28	36	43	48	61	63	
54	54	62	71	78	84	
114	125	147	168	185	195	247
1,079	1,256	1,535	1,782	1,916	1,950	2,131
1,080	1,156	1,246	1,294	1,406	1,598	1,745
958	1,076	1,183	1,312	1,419	1,620	(d) 2,065
390	409	432	476	502	546	577
107	127	151	154	159	180	185
85	128	146	154	232	213	291
26	47	45	57	31	33	35
2,646	2,942	3,203	3,446	3,750	4,189	4,898
3,725	4,197	4,738	5,228	5,666	6,139	7,030
400	405	437	460	484	518	(d) 364
93	107	109	111	113	118	127
26	35	28	58	28	31	17
519	547	574	629	625	667	508
116	139	179	203	205	233	240
44	41	47	39	30	33	28
23	17	18	49	-12	-16	35
9	12	7	5	13	21	33
192	209	251	296	235	271	336
39	39	25	10	11	11	14
17	14	22	20	20	25	28
56	53	47	30	31	36	42
767	809	871	955	891	974	886
4,493	5,006	5,609	6,183	6,558	7,113	7,915
1,445	1,598	1,679	1,819	2,002	2,207	2,492
725	818	807	859	1,039	1,197	1,452
991	1,160	1,324	1,507	1,727	2,084	2,275
579	570	597	668	650	771	758
49	42	49	63	70	80	74
3,788	4,188	4,456	4,917	5,489	6,339	7,030
471	515	558	583	642	711	805
38	40	40	38	42	44	53
14	9	4	4	-1	12	12
523	564	602	625	683	767	870
4,311	4,752	5,057	5,541	6,172	7,106	7,920
-183	-255	-552	-642	-385	-7	+4

(c) A change in Department of Works accounting procedures reduces the increase in 1963-64 by \$6 million.
 (d) An interest-free capital grant of \$200 million under the works programme is included in 'Grants to States'.

STATEMENT No. 8—EXTERNAL AID

It is not possible to calculate precisely the total amount of financial assistance which Australia provides to developing countries, including Papua and New Guinea, by way of aid from the Commonwealth Budget each year. There is also scope for differences of opinion about what constitutes 'aid'. Nevertheless, it can be said that, all told, the Commonwealth Government will provide well over \$200 million for aid of one kind or another to developing countries, including Papua and New Guinea, in 1970-71.

The table below lists various items of expenditure which can be fairly readily identified as economic (i.e. non-military) aid to developing countries:

	Actual 1968-69	Actual 1969-70	Estimated 1970-71	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
<i>Multilateral—</i>				
International Development Association	2,020	2,820	3,320	+ 500
Asian Development Bank—Capital Subscription	7,589	3,795	3,795	..
Asian Development Bank—Special Fund Contribution .. .. .	..	..	1,000	+ 1,000
UN Development Programme	1,241	1,549	1,785	+ 236
UN High Commissioner for Refugees	135	175	262	+ 87
UN Relief and Works Agency	180	180	180	..
UN Children's Fund	480	550	825	+ 275
World Food Programme	692	1,000	1,100	+ 100
South Pacific Commission	270	280	276	- 4
Regional Projects for Economic Co-operation in Asia	43	67	90	+ 23
International Red Cross	15	15	15	..
WMO—World Weather Watch	10	50	50	..
Total Multilateral	12,675	10,480	12,698	+ 2,218
<i>Bilateral—</i>				
<i>Colombo Plan—</i>				
Economic Development	6,565	7,336	9,500	+ 2,164
Technical Assistance—Training	4,343	5,291	5,747	+ 456
Technical Assistance—Experts and Equipment	1,993	2,559	2,650	+ 91
Special Aid to Indonesia	5,916	7,881	8,500	+ 619
Total Colombo Plan	18,817	23,067	26,397	+ 3,330
Special Aid to South Vietnam .. .. .	..	..	500	+ 500
Special Aid to Cambodia .. .. .	..	..	500	+ 500
IGA—Food Aid Convention	11,853	11,578	11,600	+ 22
SEATO Aid Programme	2,389	2,398	2,800	+ 402
Indus Waters Scheme	2,137	293	115	- 178
Foreign Exchange Operations Fund—Laos	723	643	643	..
ASPAC Registry of Scientific and Technical Services	37	64	84	+ 20
ASPAC Food and Fertilizer Technology Centre .. .. .	..	14	36	+ 22
Special Commonwealth African Assistance Plan	411	495	500	+ 5
Commonwealth Co-operation in Education Scheme	749	885	890	+ 5
South Pacific Aid Programme	407	495	700	+ 205
Australian International Awards Scheme	24	26	35	+ 9
Disaster Relief Contributions	38	59	50	- 9
Australian/Asian University Aid and Co-operation Scheme .. .. .	..	95	200	+ 105
Emergency Refugee Relief—Nigeria	67	250	..	- 250
Practical Training for Papuans and New Guineans .. .. .	..	..	148	+ 148
Total Bilateral	37,653	40,362	45,198	+ 4,836
Total Multilateral and Bilateral	50,328	50,842	57,896	+ 7,054
<i>Papua and New Guinea—</i>				
Grant to Administration	86,994	95,999	..	..
Additional Capital for Papua and New Guinea Development Bank .. .. .	..	1,000	..	..
Basic grant-in-aid .. .. .	..	..	33,000	+ 3,001
Development grant .. .. .	..	..	37,750	..
Allowances and other benefits for overseas officers of the Papua and New Guinea Public Service .. .. .	..	..	29,250	..
Payment to Papua and New Guinea Trust Account (for budget equalization purposes) .. .. .	..	3,000	..	- 3,000
Drawings on Arawa loan .. .. .	..	2,000	8,000	+ 6,000
Investment from L.C.I. Reserve in Bougainville equity loan .. .. .	..	..	3,600	+ 3,600
Miscellaneous budget items and other direct expenditures in Papua and New Guinea	12,382	12,885	14,500	+ 1,615
Total Papua and New Guinea	99,376	114,884	126,100	+ 11,216
Total	149,704	165,726	183,996	+ 18,270

The totals shown in this table differ from those quoted in Statement No. 2—Estimates of Expenditures, 1970–71 by virtue of the inclusion of direct expenditures of an economic nature by various Commonwealth Departments and instrumentalities in, or in connection with, Papua and New Guinea which are classified under other headings in the Budget.

On this basis, official economic assistance to developing countries, including Papua and New Guinea, is estimated to total \$183,996,000 in 1970–71. This is \$18,270,000, or 11 per cent, greater than actual expenditure in 1969–70. The estimates provide for an increase of \$7,054,000, or 13.9 per cent, in expenditure on multilateral and bilateral programmes, excluding Papua and New Guinea, in 1970–71.

It should be emphasised, however, that no allowance has been made in this figuring for the large subventions which the Commonwealth and State Governments provide each year for various educational institutions in Australia which are attended by several thousands of private and officially-sponsored overseas students, most of whom come from developing countries. The imputed costs involved in this indirect aid 'subsidy' are believed to exceed \$10 million per annum. Moreover, the foregoing figures do not allow for the fact that parts of Australia's contributions to the regular budgets of a number of international organisations not listed in the above table are used to finance aid projects in developing countries. The annual amount involved is currently estimated to exceed \$600,000. Similarly, some official institutions (e.g. the Reserve Bank) which are not financed from the Commonwealth Budget provide aid to developing countries, especially Papua and New Guinea.

Over and above this, Australia is providing substantial amounts of defence aid to certain developing countries in Asia, not counting expenditures directly associated with the presence of Australian forces in those countries. In 1970–71, for example, military and para-military aid to Malaysia and Singapore is estimated to total \$5,500,000. In addition, \$3,304,000 has been provided for a new defence aid programme for South Vietnam in 1970–71. Considerable amounts are also being expended on the Pacific Islands Regiment in Papua and New Guinea. To the extent that this defence aid releases domestic resources which would otherwise be used for the same purposes, it may indirectly help to promote the economic development of the countries concerned.

Some brief comments follow on the more important items shown in the above table:

International Development Association. Australia has pledged a total of \$57,125,000 (\$US63,980,000) to IDA since its inception in 1960, comprising an initial capital subscription of \$US20,180,000 and successive contributions of \$US19,800,000 and \$US24 million to help replenish the Association's resources. The function of IDA, which is an affiliate of the World Bank, is to provide long-term, interest-free loans to finance high priority development projects in poorer member countries which have a limited capacity to service overseas borrowings on commercial terms. Negotiations for a third replenishment exercise have recently been concluded, as a result of which the Commonwealth Government has agreed that, subject to the approval of Parliament, Australia will make available a further \$US48 million to IDA over the next three financial years, 1971–72 to 1973–74.

Contributions to IDA are initially made available in the form of non-negotiable non-interest-bearing promissory notes which are encashed as and when funds are actually required. In the nature of things, there is a lag between commitments and disbursements by IDA. To the end of June 1970, actual cash payments to IDA totalled \$32,753,000. It is expected that Australia will be called upon to pay \$3,320,000 to the Association in 1970–71, compared with \$2,820,000 last year.

Asian Development Bank. Australia has agreed to subscribe \$75,893,000 (\$US85 million) to the capital stock of the Asian Development Bank, one-half of which is to remain at call as security for borrowings by the Bank on international capital markets to finance its own lending operations. The balance is payable in five equal annual instalments, half in convertible currency and half in domestic currency: use of the latter has been tied to the procurement of goods and services from Australia. Provision has been made in the Budget for the fifth and final instalment (\$3,795,000) of the convertible currency portion of Australia's capital subscription to be paid in 1970–71. The corresponding domestic currency portion will, as

usual, be paid in the form of a non-negotiable non-interest-bearing promissory note which will be encashed as and when the Bank requires funds to purchase goods and services from Australia for use in its normal lending operations.

At the Third Annual Meeting of the Board of Governors of the Asian Development Bank in Seoul last April, it was announced that, subject to the approval of Parliament, Australia would make available the equivalent of \$US10 million to Special Funds of the Bank over this and the next two financial years to help finance loans on concessional terms to developing member countries. Provision has been made in the Budget for expenditure of \$1 million against this contribution in 1970-71. Details are now being worked out with the Management of the Bank. Enabling legislation will be introduced in Parliament in the near future.

Other Multilateral Programmes. The increase in the estimate for the UN Development Programme provides for the full-year effects of the decision to increase Australia's annual contribution from \$US1,451,000 to \$US2 million in 1970. The higher estimate for the World Food Programme allows for freight and insurance costs to be paid on a shipment of 10,000 tons of wheat which Australia has agreed to channel through the World Food Programme as part of its food aid commitment under the International Grains Arrangement in 1970-71. (Normally, such gifts of wheat and flour are provided on a f.o.b. basis.) The increased estimates for the United Nations High Commissioner for Refugees and the United Nations Children's Fund provide for a change in the form and timing of payments in respect of calendar year 1971: the basic contributions to these organisations remain the same as they were in 1969-70.

Colombo Plan. This is by far Australia's largest bilateral aid programme. It covers a wide range of activities, including the training of overseas students and officials in many different subjects in educational institutions, government services and private industry in Australia as well as the assignment of Australian experts in various fields to work and teach in developing countries overseas. It also embraces the provision of heavy machinery and equipment for large construction projects (for example, highways, bridges, dams and town water supplies) undertaken in collaboration with foreign governments. In addition, it includes the installation of radio telecommunication systems, assistance in the rehabilitation of telephone and railway networks, and gifts of such diverse items as trucks, buses, landrovers, irrigation and farm equipment, railway wagons and sleepers, dredges, pumps, hospital and broadcasting equipment, wool, bakery equipment, and lathes and teaching aids for vocational training institutes. Various other commodities and manufactured goods have been given to developing countries under the Colombo Plan in the past. Further details of the present programme are given in various official publications of the Department of External Affairs.

The total provision for the Colombo Plan in 1970-71, at \$26,397,000, is \$3,330,000, or 14.4 per cent, greater than actual expenditure in 1969-70. Most of this increase relates to Indonesia and South Vietnam, although there are, of course, variations in the allocations for other countries as a result of the completion of old projects and the commencement of new ones, etc.

Australia has undertaken to provide the equivalent of \$US60 million (\$53,570,000) in bilateral aid to Indonesia over this and the next two financial years. The amount to be provided in 1970-71 is \$17 million, compared with expenditure of \$14,637,000 in 1969-70. This will be financed from various votes under the Colombo Plan and also from the provision for Australia's food aid commitment under the International Grains Arrangement.

The total amount of aid to be provided to South Vietnam in 1970-71, excluding purely military aid, is \$3,500,000, compared with expenditure of \$2,012,000 in 1969-70. This will be spread over the votes for the Colombo Plan, the SEATO Aid programme and the new item, Special Aid to South Vietnam.

International Grains Arrangement. An amount of \$11,600,000 has been provided in the Budget to meet Australia's commitment under the International Grains Arrangement to supply 225,000 metric tons of wheat or flour equivalent as food aid to developing countries in 1970-71. The bulk of this wheat and flour will again be distributed to traditional recipients of aid from Australia in the Asian and Pacific regions.

Indus Waters Scheme. Australia has undertaken to contribute a total of \$23,269,000 to the Indus Basin Development Fund to help finance the construction of dams, link canals and barrages on various tributaries of the Indus River designed to divide the waters between India and Pakistan in an equitable manner. Total expenditures for this purpose to 30 June 1970 amounted to \$16,659,000. It is expected that the World Bank, which is responsible for administering this scheme, will call up \$115,000 against Australia's outstanding commitment in 1970-71, compared with \$293,000 in 1969-70.

Other Bilateral Programmes. The estimates provide for \$500,000 to be spent on each of two new items in 1970-71, viz. Special Aid to South Vietnam, which will be devoted to the construction of houses for dependants of members of the Regional and Popular Forces in that country; and Special Aid to Cambodia, much of which has already been supplied in the form of landrovers and radio equipment. The estimate for the SEATO Aid programme has been increased by \$402,000 primarily to accommodate expenditures on a proposed new road-building project in southern Thailand. In recognition of Australia's growing interest in, and responsibility for, developments in this part of the world, the estimate for the South Pacific Aid Programme has been increased by \$205,000, or more than 40 per cent, to \$700,000. In each of the last two financial years, flour costing in the region of \$690,000 has also been supplied to Fiji as part of Australia's food aid commitment under the International Grains Arrangement. An increased provision of \$200,000 has been made for the recently established Australian/Asian University Aid and Co-operation Scheme to enable academic exchanges with participating countries, especially Indonesia, to begin in 1970-71. A new scheme to provide practical training in Australia for Papuans and New Guineans in certain fields where similar facilities are not available in the Territory was introduced recently and is expected to involve expenditures of \$148,000 in 1970-71. Except in the case of the non-recurring grant of \$250,000 which was provided in 1969-70 for emergency relief for refugees in Nigeria, the estimates for other items show only minor variations on expenditures in 1969-70.

Papua and New Guinea. A new form of presentation has been adopted for assistance to Papua and New Guinea in this year's Budget. Instead of a single, all-purpose cash grant, as in the past, the Commonwealth Government will provide a basic grant-in-aid of \$33 million in 1970-71 to supplement local Territory revenues and generally assist the Administration to finance its normal recurrent expenditures. Expenditure of this sum will be basically under the control of elected Ministerial Members and the Administrator's Executive Council in the Territory. In addition, \$37,750,000 will be provided in the form of a 'Development grant' to help meet expenditures by the Administration for certain well-defined purposes of a developmental nature. The Commonwealth Government will continue to oversee expenditure of this sum. The Commonwealth Government has also accepted responsibility for meeting the extra costs above the salary scales of local officers incurred by the Papua and New Guinea Public Service in employing overseas officers. An amount of \$29,250,000 has been provided in the Budget for this purpose in 1970-71. The total of these three items is \$100 million, or \$3,001,000 greater than the comparable figure for expenditure in 1969-70. This increase will be offset by a reduction of \$3 million in respect of the payment which the Commonwealth Government made to the Papua and New Guinea Trust Account (for budget equalization purposes) in 1969-70: a similar payment is not envisaged this year. The Administration drew \$3 million from this Trust Account to avoid a budget deficit in 1969-70 and is required to recoup this sum in 1970-71 in case a similar need arises in future, in which event the Administration will be permitted to draw on the Trust Account again.

In 1970-71 the Administration expects to draw \$8 million of the loan of \$20 million which the Commonwealth Government has agreed to provide to help finance the construction of a new township at Arawa and other capital costs in connection with the Bougainville copper project: this is \$6 million greater than the drawings made in 1969-70. The Commonwealth Government was also called upon early this financial year to subscribe \$3,600,000 from the Loan Consolidation and Investment Reserve to make up the shortfall in a recent borrowing in Australia by the Administration to finance the first instalment (\$12,500,000) of its 20 per cent equity interest in the Bougainville copper project. Finally, as a result of

the quickening pace of developments in Papua and New Guinea at the present time, direct expenditures of an economic nature in the Territory by various Commonwealth Departments and instrumentalities are estimated to increase by approximately \$1,615,000 in 1970-71.

All told, expenditures from the Commonwealth Budget in, or in connection with, Papua and New Guinea in 1970-71, excluding purely military expenditures from the Defence Vote on the Pacific Islands Regiment, are estimated to exceed \$126 million. This is more than \$11,200,000 greater than expenditure in 1969-70.

GROWTH IN AUSTRALIA'S AID

Excluding defence aid, official assistance provided from extra-budgetary sources, indirect educational subsidies to overseas students and those parts of Australia's contributions to the budgets of certain international organisations which are used to finance aid projects in developing countries, Australia will have provided well over \$1,600 million in official aid to developing countries, including Papua and New Guinea, by the end of the current financial year. Of this total, approximately two-thirds, or a little more than \$1,050 million, will have been devoted to Papua and New Guinea.

The estimates for 1970-71 represent approximately a three-fold increase on expenditures in 1960-61, and reflect an average annual rate of growth over the intervening years of more than 12 per cent. As a consequence, external aid to developing countries has increased as a proportion of both Gross National Product and total government spending since 1960-61. Details of the growth in various types of aid expenditure over the last ten years are set out in the table below:

—	Multilateral Programmes	Bilateral Programmes	Papua and New Guinea	Total Aid	Increase on previous year	
	\$'000	\$'000	\$'000	\$'000	\$'000	Per cent
1945-46 to 1959-60	105,650	73,770	201,968	381,388	..	..
1960-61	9,087	11,286	38,196	58,569	..	..
1961-62	7,652	12,328	44,446	64,426	5,857	10.0
1962-63	10,058	14,996	49,782	74,836	10,410	16.2
1963-64	10,672	14,128	61,098	85,898	11,062	14.8
1964-65	5,159	24,224	67,998	97,381	11,483	13.4
1965-66	8,018	25,785	75,167	108,970	11,589	11.9
1966-67	12,571	28,282	83,784	124,637	15,667	14.4
1967-68	13,984	34,398	91,645	140,027	15,390	12.3
1968-69	12,675	37,653	99,376	149,704	9,677	6.9
1969-70	10,480	40,362	114,884	165,726	16,022	10.7
Cumulative to 30 June 1970	206,007	317,212	928,345	1,451,564	..	..
1970-71 Estimate..	12,698	45,198	126,100	183,996	18,270	11.0

INTERNATIONAL AID COMPARISONS

International comparisons of the aid performances of different countries are subject to many reservations because of conceptual difficulties and statistical problems

Nevertheless, the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development regularly publishes data on this subject in an attempt to provide some measure of relative aid efforts and burden-sharing by its member countries, including Australia.

According to preliminary figures obtained from the DAC, Australia again ranked among the first three countries in the world in 1969 in terms of the net flow (i.e. grants *plus* loans *less* repayments of principal *but not* interest) of official development assistance to developing countries expressed as a percentage of Gross National Product. The relevant figures for individual countries are reproduced below:

OFFICIAL DEVELOPMENT ASSISTANCE TO DEVELOPING COUNTRIES IN 1969

Expressed as a percentage of:

	Gross National Product
	Per cent
France	(0.69)
Portugal	(0.68)
Australia	0.56
Belgium	0.51
Netherlands	0.51
Sweden	0.44
Denmark	0.41
Germany	0.39
United Kingdom	0.39
Canada	(0.35)
United States of America	0.33
Norway	0.31
Japan	0.26
Austria	0.17
Italy	(0.17)
Switzerland	(0.16)
All DAC countries	(0.37)

Note: Figures in brackets are provisional.

For purposes of comparison with Australia, which until recently has provided all of its official aid in grant form, the data on which the above calculations have been based should be adjusted to take account of the interest received on loans provided by other donor countries. However, the additional information required to enable comparisons to be made on this basis is not yet available.

STATEMENT No. 9—COMMONWEALTH ASSISTANCE TO INDUSTRY

Assistance to Australian industry is provided through the Budget by way of bounties, subsidies and other payments, and by way of contributions to promotion and research. In addition, services and facilities are provided by the Commonwealth for which no charge is made or for which charges fall well short of covering the costs incurred. A large part of the current expenditure of the Commonwealth Scientific and Industrial Research Organization, for which it is estimated \$43 million will be provided from Consolidated Revenue in 1970-71, is on activities undertaken for the benefit of Australian industry. Commonwealth Departments providing assistance in the form of services and facilities include Primary Industry, Trade and Industry (including the Australian Tourist Commission), National Development (Bureau of Mineral Resources, and Forestry and Timber Bureau), Civil Aviation and Labour and National Service. A number of the specific purpose grants to the States also assist primary industries—for instance, payments for beef cattle roads, brigalow lands development, water resources investigations, softwood forestry and so on.

In addition, a very considerable amount of assistance is being provided through the Budget by way of special taxation concessions which, as they result in a reduction of Commonwealth revenues and a corresponding increase in the funds available to the recipients, are as much a call on the Budget as direct payments which add to expenditures. Assistance of this type is mainly provided by way of income tax concessions which permit firms and individuals to make deductions from their incomes for taxation purposes beyond those normally permitted under the income tax law.

In total, the Commonwealth assistance specified under the following three headings, which does not include all the forms of assistance referred to above, amounted to \$493 million in 1969-70.

COMMONWEALTH PAYMENTS TO INDUSTRY

The following table sets out estimates of Commonwealth payments to (or on behalf of) industry in 1970-71 included under the heading 'Commonwealth Payments to Industry'. Item No. 9 in Statement No. 2. These payments are estimated to amount to \$272 million in 1970-71 which compares with payments of about \$116 million five years ago (1965-66) and about \$45 million ten years ago (1960-61).

COMMONWEALTH PAYMENTS TO INDUSTRY

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Rural Industries—				
Protective Bounties—				
Raw Cotton Bounty	4,620	3,531	2,500	- 1,031
Other Payments—				
Wheat Industry Stabilization	42,870	..	30,500	+ 30,500
Devaluation Compensation	35,000	29,000	21,000	- 8,000
Phosphate Fertilizers Bounty	31,665	45,820	46,000	+ 180
Nitrogenous Fertilizers Subsidy	11,044	9,876	10,500	+ 624
Butter and Cheese Bounty	27,000	27,000	41,500	+ 14,500
Processed Milk Products Bounty	638	516	3,500	+ 2,984
Petroleum Products—All States and Northern Territory	19,264	22,367	24,976	+ 2,609
Marginal Dairy Farm Reconstruction Scheme .. .. .	..	..	2,000	+ 2,000
Wool Marketing Assistance .. .. .	..	..	2,900	+ 2,900
Emergency Assistance to Woolgrowers .. .. .	..	..	30,000	+ 30,000
Total Rural Industries	172,101	138,111	215,376	+ 77,265
Manufacturing Industries—				
Protective Bounties—				
Shipbuilding Subsidy—Gross	48,513	58,555	52,630	- 5,925
Less—Revenue	35,962	39,797	35,000	- 4,797
Net Subsidy	12,551	18,758	17,630	- 1,128
Book Bounty .. .. .	..	1,374	1,600	+ 226
Agricultural Tractor Bounty and Tractor Bounty	2,249	1,757	1,600	- 157
Sulphate of Ammonia Bounty	430	1,081	721	- 360
Urea Bounty	424	496	506	+ 10
Cellulose Acetate Flake Bounty	179	276	162	- 114
Sulphuric Acid Bounty	988	740	347	- 393
Other Payments—				
Industrial Research and Development Grants	5,300	8,915	17,000	+ 8,085
Devaluation Compensation	862	1,069	550	- 519
Total Manufacturing Industries	22,984	34,465	40,116	+ 5,651
Mining Industries—				
Protective Bounties—				
Pyrites Bounty	385	..	309	+ 309
Other Payments—				
Petroleum Search Subsidy	12,497	14,298	10,300	- 3,998
Gold Mining Industry Assistance	1,791	1,859	3,400	+ 1,541
Total Mining Industries	14,673	16,157	14,009	- 2,148
Transport Industries—				
Air Services	1,780	1,800	1,750	- 50
Shipping Services—				
South America	180	157	150	- 7
Melbourne-King Island	141	150	150	..
Papua and New Guinea	68	..	..	..
Total Transport Industries	2,169	2,107	2,050	- 57
Total Commonwealth Payments to Industry	211,928	190,840	271,551	+ 80,711

The following are comments on the main variations shown in the above table:

Rural Industries

Raw Cotton Bounty. The estimated reduction of \$1,031,000 in bounty payments on raw cotton results from an amendment made in 1969 to the Raw Cotton Bounty Act. This amendment placed ceilings of \$4,000,000, \$3,000,000 and \$2,000,000 on bounty payments for the 1969, 1970 and 1971 crops, respectively.

Wheat Industry Stabilization. A wheat stabilization payment last became payable in 1968-69 in respect of the 1967-68 season. For the 1968-69 wheat crop, a payment of \$30,500,000 is expected in 1970-71, based on an estimated average export price of 129.75 cents per bushel, compared with the guaranteed return of 145 cents per bushel for 200 million bushels of exports.

Devaluation Compensation. Payments to be made to rural industries in 1970-71 in respect of reduced returns in Australian currency arising from the devaluation of sterling and other currencies in 1967 are estimated to be \$8,000,000 less than in 1969-70. Details of payments in each of the past three years, and those expected in 1970-71, are as follows:—

Commodity	1967-68 Actual	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000	\$'000
Wheat	18,140	10,485	..	..	..
Dairy Products	889	12,875	20,012	12,600	- 7,412
Eggs .. .. .	..	189	246	20	- 226
Honey .. .. .	..	145	21	..	- 21
Apples and Pears	1,971	379	2,061	2,700	+ 639
Sugar .. .. .	..	5,919	5,563	5,400	- 163
Canned Fruit .. .. .	..	4,261	825	100	- 725
Dried Vine Fruits .. .. .	..	217	168	80	- 88
Copra .. .. .	..	236	..	..	..
Other .. .. .	..	294	105	100	- 5
Total	21,000	35,000	29,000	21,000	- 8,000

Butter and Cheese Bounties. Payments are expected to increase by \$14,500,000 to \$41,500,000 in accordance with the Government's announcement that an additional grant would be paid on 1970-71 production of butter and cheese to replace devaluation compensation and the previous arrangement for underwriting producers' returns.

Processed Milk Products Bounty. Payments are expected to increase by \$2,984,000 mainly on account of the additional grant announced by the Government in respect of 1970-71 production of processed milk products to replace devaluation compensation.

Petroleum Products—All States and Northern Territory. The subsidy scheme is designed to reduce the prices of certain petroleum products in country areas. The increase of \$2,609,000 expected in 1970-71 reflects the effect for a full year of revised subsidy rates introduced during 1969-70 and an expected increase in consumption.

Marginal Dairy Farms Reconstruction Scheme. Provision has been made for the expenditure of \$2,000,000 in 1970-71.

Wool Marketing Assistance. An amount of \$2,900,000 has been provided to meet half the costs of handling (interlotting, bulk-classing, etc.) of one, two and three bale lots covered by the price averaging plan operated by the Australian Wool Marketing Corporation Pty. Ltd. and half of brokers' administration charges relating to the plan.

Emergency Assistance to Woolgrowers. Payments are to be made to growers based on the fall in gross proceeds from wool between 1968-69 and 1969-70 beyond a certain percentage, and subject to a number of conditions.

Manufacturing Industries

Shipbuilding Subsidy. Ships are purchased by the Commonwealth and sold at prices up to one-third below cost. The 1970-71 estimate shows a reduction of \$5,925,000 in gross expenditure compared with 1969-70. However, the 1970-71 estimate includes provision only for ships currently under construction or in firm prospect. Expenditure in respect of any

other vessels which may be ordered during the course of 1970-71 will be provided for in the additional estimates. Receipts from the sale of ships, assessed on the same basis, are estimated to be \$4,797,000 less in 1970-71, with the result that net subsidy payments are estimated to decline by \$1,128,000.

Sulphate of Ammonia, Urea, Cellulose Acetate Flake and Sulphuric Acid Bounties. Pending receipt of reports by the Tariff Board, provision has been made for the operation of these bounties to be extended until 31 December 1970.

Industrial Research and Development Grants. Payments of industrial research and development grants are estimated to total \$17,000,000 in 1970-71. The increase of \$8,085,000 is due mainly to a higher level of eligible expenditure by companies in 1969-70.

Devaluation Compensation. Estimated expenditure in 1970-71 is \$550,000, \$519,000 less than in 1969-70. The scheme of assistance applied to exports up to the end of 1969.

Mining Industries

Pyrites Bounty. Pending the receipt of a report by the Tariff Board, provision has been made for the operation of this bounty to be extended until 31 December 1970. There was no expenditure on the bounty during 1969-70 because of the high price of imported brimstone.

Petroleum Search Subsidy. The reduction in estimated payments in 1970-71 is due mainly to a reduced carry-forward of liabilities at the beginning of the year following the introduction of revised administrative procedures in 1969-70.

Gold Mining Industry Assistance. The estimated increase results from a decline in premiums on free market sales and includes estimated expenditure in 1970-71 due to the proposed extension of the Gold Mining Industry Assistance Act.

COMMONWEALTH CONTRIBUTIONS TO PROMOTION AND RESEARCH

In addition to its direct support of the Commonwealth Scientific and Industrial Research Organisation, the main contributions made by the Commonwealth to promotion and research are shown below.

	1968-69 Actual	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000	\$'000
Wool Promotion and Research(a)	15,116	13,091	28,873	+ 15,782
Other Rural Research(a)				
Wheat	885	900	750	- 150
Meat	1,541	1,426	1,450	+ 24
Dairy	314	351	390	+ 39
Fishing .. .. .	..	..	500	+ 500
Tobacco	400	382	380	- 2
Other(b)	336	377	423	+ 46
Export Promotion Payments(c)	3,359	3,840	4,315	+ 475
Coal Utilisation Research	260	260	260	..
	22,211	20,627	37,341	+ 16,714

(a) Does not include expenditure financed by industry contributions.
 (b) Includes sires, wasp, barley, poultry, chicken meat, wine and other minor research.
 (c) Includes expenditure on trade promotion visits.

The increase of \$15,782,000 in the expected contribution by the Commonwealth towards wool promotion and research is due to three factors. Expenditure on general wool promotion and research is expected to increase by \$10 million. Second, the growers' levy has been reduced from two per cent to one per cent of the value of wool sold. (Over the next three years the Government has undertaken to meet the balance of expenditure required for research and promotion, provided its contribution does not exceed an average of \$27 million per annum.) Third, the Commonwealth is to provide \$650,000 in 1970-71 to support research into pre-sale objective measurement of wool.

**COMMONWEALTH ASSISTANCE TO INDUSTRY
THROUGH THE TAXATION SYSTEM**

The amount of revenue forgone in 1969-70 through the main taxation concessions for which figures are shown below, is estimated at no less than \$282,000,000.

Most, though not all, of that amount is forgone through concessions in the income tax law which are shown in some detail below. In the case of the pay-roll tax, there is the export rebate scheme, which involved a cost to revenue of \$34,000,000 in 1969-70 and is estimated to cost \$42,000,000 in 1970-71. Special reliefs for primary production estates were introduced in the financial year just ended at an estimated annual cost of \$5,500,000. There are numerous concessions in the sales tax field in the form of special exemptions to assist particular industries.

Most of the relevant concessions in the income tax field may be grouped in three broad categories, namely:

- A those which allow the deduction of larger amounts than are authorized under the general provisions of the law (included in this category is the rebate for export market development expenditure, which gives a tax saving additional to the saving resulting from the deduction from income for this expenditure);
- B those which allow certain taxpayers to deduct the cost of items of plant over shorter periods than is the case for the general run of taxpayers; and
- C those which exempt certain classes of income.

The main provisions in each of these categories, and the estimated amounts of revenue forgone in 1969-70 are:

	<i>Estimated Revenue Forgone in 1969-70 \$ million</i>
Category A:	
Investment allowance—	
Manufacturing	55.0
Primary production	9.0
Export Market Development Expenditure	12.0
Certain capital expenditures on land used for 'primary production' and in timber operations (excluding items otherwise depreciable). Deductions for telephone lines allowed to 'primary producers'	10.4
Expenditure on scientific research (excluding accelerated depreciation on plant)	0.5
Moneys paid on shares—	
Petroleum exploration (Section 77A)	28.0
Mining (Section 77AA)	11.0
Calls (one-third of calls paid on mining and afforestation shares)	7.0
Capital expenditure of certain mining enterprises (excluding deductions in respect of plant otherwise depreciable)	22.0
Total Category A	154.9

	<i>Estimated Revenue Forgone in 1969-70 \$ million</i>
Category B:	
Special depreciation allowable to 'primary producers'	
Allowance of immediate deduction for fencing and underground piping instead of depreciation	} 45.0(a)
Special rate of depreciation on plant used for scientific research	
Deduction in year of purchase and/or appropriation of income for plant used in mining or exploration which would otherwise be subject only to depreciation	
Total Category B .. .. .		45.0
Category C:	
Exemption of certain mining profits	12.0(b)
Total Category C	12.0
Total all Categories	211.9

The preceding table does not include the cost of the averaging provisions applied to incomes of 'primary producers'. These provisions involve assessment at rates of tax which may differ from those otherwise applicable to the taxable income. They have the effect of reducing the tax otherwise payable in a year when taxable income exceeds the average of that year and the four preceding years. It may exceed the average because of fluctuations in income, or because incomes had generally risen over the period, or both. Conversely, if taxable income falls below average income, tax payable under these provisions is higher than it would otherwise be. Options allowed by the law to withdraw permanently from the averaging provisions or to re-enter them, have enabled 'primary producers' to have applied either tax at general rates or taxation under the provisions, whichever is more favourable to them. The provisions are estimated to have involved a cost to revenue of approximately \$110 million in the five assessment years ended 1969-70, of which approximately \$30 million relates to revenue forgone in 1969-70.

The table also excludes the cost of the drought bonds scheme which commenced in 1969-70. This scheme enables eligible pastoralists to reduce their taxable incomes in some years, by the amounts they subscribe to drought bonds, and increase them in later years, by amounts of redemptions. By evening out fluctuations in taxable income, the scheme can enable them to make an overall saving in tax. The cost of the scheme to revenue in 1969-70 is estimated at \$600,000.

(a) This estimate is based on the deductions allowable in the 1968-69 income year in respect of purchases and appropriations in that year less the depreciation that would have been allowable in that year on the relevant plant purchases or the plant in respect of which the appropriations were made. While the provisions in question do not allow any greater total deduction over the life of the plant and equipment than do the normal depreciation provisions of the income tax law, they result in a deferment of tax which involves a cost to the Commonwealth Budget and a benefit, namely the provision of interest-free finance, to the taxpayers concerned. Normal depreciation allowances are designed to allow taxpayers to write off the cost of plant and equipment against income as the plant and equipment is used up in producing that income. The value of accelerated depreciation allowances to taxpayers depends on how much sooner they receive savings than would be the case if the allowances had been based on the usage of plant and equipment, and on the value to them of having the use of these savings. Where there is a constant or increasing rate of investment in plant and equipment subject to accelerated depreciation, the concession virtually provides the taxpayers concerned with a revolving or increasing credit in their account with the taxation revenue.

(b) This estimate is based on the exemption of income under Section 23(o)—gold mining, Section 23(p)—sale of rights to mine gold and other prescribed minerals, Section 23A—one-fifth exemption of income from the mining of prescribed metals and minerals, and Section 23c—exemption of income from certain sales of gold produced in Australia.

The total estimated cost to revenue in 1969-70 of the income tax concessions mentioned is thus approximately \$242,500,000.

In the light of the rapid expansion in, and in prospect in, mining exploration and production, it seems certain that there will be increases in the cost of the various income tax concessions which apply in relation to these industries. For example, as the income from production of Australian petroleum grows, there will be a continuing cost to revenue of the special allowances permitted for petroleum-producing enterprises. These allowances effectively free from tax income from the sale of Australian petroleum and its products until capital expenditure incurred in finding and recovering the petroleum (other than such expenditure transferred for deduction against shareholders' income by reason of Section 77D, which has been enacted to replace Section 77A), has been recouped out of the mining profits. Dividends paid out of that tax-free income are exempt in the hands of shareholders of the petroleum-mining companies.

STATEMENT No. 10—SOCIAL WELFARE AND REPATRIATION EXPENDITURES

Commonwealth expenditures in the fields of social welfare and repatriation are brought together in the following table which shows actual expenditures in 1969-70, and estimated expenditures in 1970-71 including the cost of measures announced in the Budget Speech. In addition to expenditures contained in Item No. 3—Payment to National Welfare Fund, and Item No. 4—Repatriation Services, in Statement No. 2, this table includes certain expenditures contained in other Items in that Statement.

	1969-70 Actual	1970-71 Estimate	Increase on 1969-70
	\$'000	\$'000	\$'000
Social Services	995,464	1,055,764	60,300
National Health Services	357,854	430,652	72,798
Repatriation Services	296,704	313,494	16,790
Housing Benefits	13,335	20,032	6,697
	1,663,358	1,819,942	156,585

Details of the individual components of these broad headings are given below.

SOCIAL SERVICES

Expenditures under this heading comprise amounts charged to the National Welfare Fund and other Social Services expenditures provided for by annual appropriations or by separate legislation. Details of the expenditures charged to the National Welfare Fund are contained in Item No. 3, Statement No. 2. The totals of these expenditures are repeated in the following table which also gives particulars of the other Social Services expenditures.

Social Services	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000
National Welfare Fund expenditures (<i>See</i> Item No. 3, Statement No. 2)	978,385	1,035,150	+ 56,765
Other expenditures—			
Compassionate allowances and other special payments	94	93	- 1
Aged Persons Homes Act	12,700	14,000	+ 1,300
Sheltered Employment (Assistance) Act	1,897	2,400	+ 503
States Grants (Home Care) Act	48	455	+ 407
Telephone Rental Concessions	2,299	2,600	+ 301
Rehabilitation Service—Equipment	41	66	+ 25
Handicapped Children (Assistance) Act(a) .. .. .	..	1,000	+ 1,000
Total—Other expenditures	17,079	20,614	+ 3,535
Total—Social Services	995,464	1,055,764	+ 60,300

(a) No expenditure was incurred in 1969-70 under the *Handicapped Children (Assistance) Act* 1970.

NATIONAL HEALTH SERVICES

Certain expenditures on National Health Services are met from the National Welfare Fund. Other expenditures are provided for by annual appropriations or by separate legislation. Item No. 3, Statement No. 2, provides details of those expenditures for National Health Services charged to the National Welfare Fund. The following table shows the totals of the National Welfare Fund expenditures on National Health Services and particulars of other National Health Services items not charged to the Fund.

National Health Services	1969-70 Actual	1970-71 Estimate	+ Increase - Decrease on 1969-70
	\$'000	\$'000	\$'000
National Welfare Fund expenditures (See Item No. 3, Statement No. 2)	351,004	423,383	+ 72,379
Other expenditures—			
Tuberculosis Act—Capital expenditure	593	368	- 225
States Grants (Milk for School Children) Act— Capital and incidental expenditure	32	41	+ 9
States Grants (Mental Health Institutions) Act— Capital expenditure	5,501	5,000	- 501
States Grants (Nursing Homes) Act—Capital expendi- ture(a) .. .. .	..	880	+ 880
States Grants (Paramedical Services) Act(a) .. .. .	..	130	+ 130
Blood Transfusion Services	725	850	+ 125
Total—Other expenditures	6,851	7,269	+ 418
Total—National Health Services	357,854	430,652	+ 72,798

(a) No expenditures were incurred in 1969-70 under the States Grants (Nursing Homes) Act 1969 and the States Grants (Paramedical Services) Act 1969.

REPATRIATION SERVICES

Details of expenditures on Repatriation Services are given in Item No. 4, Statement No. 2.

HOUSING BENEFITS

Item No. 3, Statement No. 2, gives details of expenditures on Housing Benefits charged to the National Welfare Fund. The following table shows the composition of total expenditures on Housing Benefits.

Housing Benefits	1969-70 Actual	1970-71 Estimate	Increase on 1969-70
	\$'000	\$'000	\$'000
National Welfare Fund expenditures (See Item No. 3, Statement No. 2)	12,411	14,332	1,921
Other expenditure— States Grants (Dwellings for Aged Pensioners) Act ..	925	5,700	4,775
Total—Housing Benefits	13,335	20,032	6,697

OUTLINE OF SOCIAL WELFARE AND REPATRIATION BENEFITS

A. SOCIAL WELFARE BENEFITS

SOCIAL SERVICES

Benefit	Rate (maximum)		
	Existing	Proposed 1970-71	Increase
	\$ a week	\$ a week	\$ a week
Age and Invalid Pensions and Sheltered Employment Allowances—			
Single person(a)	15.00	15.50	0.50
Married couple (Both eligible and living together)—each	13.25	13.75	0.50
Married couple (Both eligible but living apart through ill health)—each(a)	15.00	15.50	0.50
Married couple (One eligible)(a)	15.00	15.50	0.50
Wife (if not a pensioner)(b)	7.00	7.00	..
First child under 16 years(c)	2.50	2.50	..
Second and each subsequent child under 16 years(c)	3.50	3.50	..
Guardians' Allowances—			
Where there is a child under 6 years or an invalid child requiring full-time care	6.00	6.00	..
Other cases	4.00	4.00	..
Maternity Allowances—			
No other children	30.00	30.00	..
1 or 2 other children	32.00	32.00	..
3 or more other children	35.00	35.00	..
Multiple Births—			
Additional payment for each additional child	10.00	10.00	..
Child Endowment—			
First child under 16 years	0.50	0.50	..
Second child under 16 years	1.00	1.00	..
Third child under 16 years	1.50	1.50	..
Each other child under 16 years	(d)	(d)	..
Student child 16 years and under 21 years	1.50	1.50	..
Widows' Pensions(a)—			
Class A—Widows with dependent children	15.00	15.50	0.50
Mothers' Allowances—			
Where there is a child under 6 years or an invalid child requiring full-time care	6.00	6.00	..
Other cases	4.00	4.00	..
First child under 16 years(c)	2.50	2.50	..
Second and each subsequent child under 16 years(c)	3.50	3.50	..
Class B—Widows aged 50 years or more(e)	13.25	13.75	0.50
Class C—Widows under 50 years of age in necessitous circumstances(f)	13.25	13.75	0.50
Funeral Benefits(g)	40.00	40.00	..
Unemployment and Short-term Sickness Benefits—			
Adult or married minor	10.00	10.00	..
Spouse	7.00	7.00	..
First child under 16 years	2.50	2.50	..
Second and each subsequent child under 16 years	3.50	3.50	..
Person 16 and under 18 years	4.50	4.50	..
Person 18 and under 21 years	6.00	6.00	..
Long-term Sickness Benefits(h)—			
Adult or married minor	10.00	15.50	5.50
Spouse	7.00	7.00	..
First child under 16 years	2.50	2.50	..
Second and each subsequent child under 16 years	3.50	3.50	..
Person 16 and under 21 years	4.50 or 6.00	10.00	5.50 or 4.00
Rehabilitation Service	(i)	(i)	..
Personal Care Subsidy(j)	5.00	5.00	..

(a) Supplementary assistance at a maximum rate of \$2.00 a week is payable, subject to the payment of rent and to a means test, to single age and invalid pensioners, to a married pensioner whose spouse is not a pensioner, to each of a married pensioner couple who, because of illness or infirmity of either or both, cannot live together in a matrimonial home, and to widow pensioners. Supplementary assistance may also be paid to recipients of sheltered employment allowances.

(b) Wife's allowance is payable, subject to a means test, to a non-pensioner wife if the pensioner is permanently incapacitated for work or is blind or has a child.

(c) A child is treated for pension purposes as being under 16 years until he attains 21 years if he is a full-time student and dependent on the pensioner.

(d) Child endowment for the fourth and subsequent children under 16 years in a family increases by 25 cents a week for each child so that the rate payable is \$1.75 a week for the fourth child, \$2.00 for the fifth child and so on.

(e) Class B Widow's pension may also be payable to certain widows between 45 and 50 years of age.

(f) Class C Widow's pension is generally payable for not more than 26 weeks immediately after the husband's death.

(g) Where a person enrolled in the Pensioner Medical Service meets the funeral costs of another person enrolled in the Service, the maximum funeral benefit is \$40.00. A funeral benefit of up to \$20.00 is payable to other persons who meet the funeral costs of a deceased age or invalid pensioner who was enrolled in the Pensioner Medical Service at the time of death.

(h) Under a proposal announced in the Budget Speech, a higher rate of sickness benefit will be payable to persons who have been in receipt of sickness benefit continuously for six weeks. The rate may be further increased for a person who pays rent and has little means other than the sickness benefit. Persons in hospital and who have no dependants will not qualify for these higher benefits.

(i) Disabled persons may be given rehabilitation treatment, followed where necessary by vocational training. During the period of rehabilitation treatment, patients receive the appropriate pension or benefit, and while receiving vocational training they are paid a rehabilitation allowance. In addition a training allowance and, where appropriate, a living away from home allowance, are also payable, free of means test. Free vocational training, with associated allowances, may also be available to Class A and Class B widow pensioners.

(j) A subsidy of \$5 a week is payable in respect of a person 80 years or more who receives approved personal care and who resides in hostel-type accommodation in an aged persons' home conducted by an eligible organisation under the Aged Persons Homes Act.

NATIONAL HEALTH SERVICES

Benefit	Rate (maximum)		
	Existing	Proposed 1970-71	Increase
	\$	\$	\$
Hospital Benefits(a)—			
Insured patients	2.00 p.d.	2.00 p.d.	..
Uninsured patients	0.80 p.d.	0.80 p.d.	..
Patients without charge(b)	2.00 p.d.	2.00 p.d.	..
Pensioner patients in public hospitals	5.00 p.d.	5.00 p.d.	..
Nursing Home Benefits—			
Ordinary benefit	2.00 p.d.	2.00 p.d.	..
Supplementary benefit	3.00 p.d.	3.00 p.d.	..
Handicapped Children's Benefit	1.50 p.d.	1.50 p.d.	..
Pharmaceutical Benefits	(c)	(c)	..
Pharmaceutical Benefits for Pensioners	(d)	(d)	..
Medical Benefits	(a)(e)	(a)(e)	..
Medical Services for Pensioners	(f)	(f)	..
Hearing Aid Service for Pensioners	(g)	(g)	..
Tuberculosis Allowances(h)—			
Single person	18.25 p.w.	18.75 p.w.	0.50
Man and wife	29.75 p.w.	30.75 p.w.	1.00
First child under 16 years	2.50 p.w.	2.50 p.w.	..
Second and each subsequent child under 16 years	3.50 p.w.	3.50 p.w.	..
Milk for School Children	(i)	(i)	..
Miscellaneous Health Services	(j)	(j)	..

(a) Health insurance benefits equal to standard fund and Commonwealth benefits are provided free to certain individuals. This entitlement applies to family groups of at least two units where the family income is \$42.50 a week or less, to unemployment and sickness beneficiaries and to migrants for a period of two months after arrival in Australia. Family groups with incomes between \$42.50 a week and \$45.50 a week are entitled to the same benefits on payment of contributions for health insurance at one-third the usual rates and family groups with incomes between \$45.50 a week and \$48.50 a week are entitled to the benefits on payment of contributions at two-thirds the usual rates. Where the head of the family is of pensionable age, eligibility is assessed on a means test basis similar to that applying to pension eligibility.

(b) As from 1 July 1970 a Commonwealth benefit of \$2.00 a day is payable direct to approved hospitals in respect of patients, whether insured or uninsured, provided no charge is made by the hospital.

(c) Except for a charge of \$0.50 per prescription which is payable by patients, other than persons enrolled in the Pensioner Medical Service and their dependants, the Commonwealth meets the cost of a wide range of drugs supplied on a doctor's prescription to any person in the community.

(d) The Commonwealth meets the cost of a wide range of drugs supplied on a doctor's prescription to persons enrolled in the Pensioner Medical Service and their dependants.

(e) The Commonwealth provides a benefit for services set out in the First Schedule to the National Health Act for medical treatment given to contributors to registered medical insurance organisations and the dependants of those contributors. In general, the amounts of Commonwealth benefits were increased as from 1 July 1970.

(f) The Commonwealth meets the cost of general practitioner medical services for persons enrolled in the Pensioner Medical Service and their dependants.

(g) The Commonwealth Acoustic Laboratories provide a hearing aid service to persons enrolled in the Pensioner Medical Service and their dependants with defective hearing who are able to benefit from a hearing aid. Aids are supplied on loan for a nominal hiring charge of \$10.00. This charge includes repairs and maintenance to the aid during the lifetime of the recipient.

(h) Tuberculosis allowances are payable, subject to a means test on income, to persons suffering from tuberculosis.

(i) The Commonwealth reimburses the States the cost of providing free to every school child under the age of thirteen years up to one-third of a pint of milk on each school day. Also, the Commonwealth meets half the cost of administrative expenses and special equipment connected with the scheme.

(j) This item includes free district health laboratory services, the free supply of certain prophylactic materials and biological products (e.g. poliomyelitis vaccine), the free supply and maintenance of hearing aids for children, subsidies to various non-profit organisations conducting home nursing services that are assisted by State or local governments, the free supply of artificially produced radio-active isotopes to private medical practitioners and hospitals for medical treatment purposes and the processing at the Commonwealth Serum Laboratories of blood collected by the Australian Red Cross Society Blood Transfusion Service.

HOUSING BENEFITS

COMMONWEALTH AND STATE HOUSING AGREEMENT 1945

Under the 1945 Commonwealth and State Housing Agreement, the Commonwealth, subject to a State's observing the provisions of the Agreement, meets three-fifths of any net losses, including rental rebates granted by the State under the Agreement, incurred in a year.

HOMES SAVINGS GRANT ACT 1964-1970

The *Homes Savings Grant Act 1964-1970* authorizes the payment to an eligible person of a Commonwealth grant of \$1 for every \$3 of acceptable savings for a home accumulated over a period of at least three years. The maximum grant payable for a home is \$500.

STATES GRANTS (DWELLINGS FOR AGED PENSIONERS) ACT 1969

Under the *States Grants (Dwellings for Aged Pensioners) Act 1969* the Commonwealth has agreed to make non-repayable grants to the States totalling \$25 million over 5 years, beginning in 1969-70, for the purpose of providing self-contained dwelling units at reasonable rentals for single age pensioners or service pensioners receiving pension on grounds of age, who have little or no means apart from pension.

B. THE MAIN REPATRIATION BENEFITS

Benefit	Rate		
	Existing	Proposed 1970-71	Increase
	\$ a week	\$ a week	\$ a week
(1) PAYABLE WITHOUT MEANS TEST			
Special Rate Pensions(a)—			
Member	36.00	38.00	2.00
Wife	4.05	4.05	..
Each Child	1.38	1.38	..
Intermediate Rate Pensions(b)—			
Member	26.50	28.00	1.50
Wife	4.05	4.05	..
Each Child	1.38	1.38	..

Benefit	Rate		
	Existing	Proposed 1970-71	Increase
	\$ a week	\$ a week	\$ a week
General Rate Pensions(c)—			
Member	12.00 max.	12.00 max.	..
Wife	4.05 max.	4.05 max.	..
Each Child	1.38 max.	1.38 max.	..
Special Compensation Allowances(d)—			
Members with 75 per cent to 100 per cent. assessed incapacity	3.75 to 5.00	4.50 to 6.00	0.75 to 1.00
War Widows(e)—			
Pension	15.00	15.50	0.50
Domestic Allowance	7.50	8.00	0.50
War Orphans' Pensions(f)—			
One parent dead—			
First child	5.40	6.00	0.60
Each other child	4.25	5.00	0.75
Both parents dead—			
Each child	10.15	12.00	1.85
Attendants' Allowances(g)—			
Higher Rate	14.00	14.00	..
Lower Rate	8.50	8.50	..
Education and Training Allowances (payable under Soldiers' Children Education Scheme)(h)—			
General Education—			
Age 12 up to 14 years—			
Living at home	2.18	2.18	..
Living away from home	7.28	7.28	..
Age 14 up to 16 years—			
Living at home	3.30	3.30	..
Living away from home	7.28	7.28	..
Age 16 up to 18 years or matriculation—			
Living at home	7.28	7.28	..
Living away from home	11.25	11.25	..
Agricultural Education—			
Living away from home	3.65	3.65	..
Industrial Education—			
Living at home	2.65	2.65	..
Living away from home	5.30	5.30	..
Professional Education—			
Living at home	11.93	11.93	..
Living away from home	19.23	19.23	..
Clothing Allowances—			
Leg and arm amputated	0.85	0.85	..
Leg or arm amputated	0.43	0.43	..
Both legs or both arms amputated	0.55	0.55	..
Funeral Benefits—			
Towards the funeral expenses of certain classes of deceased ex-servicemen and eligible dependants ..	50.00 max. { lump sum	50.00 max. { lump sum	..
Towards the cost of transportation of the remains of certain ex-servicemen	30.00 max. { lump sum	30.00 max. { lump sum	..
Recreation Transport Allowances(i)—			
Higher Rate	25.00 a month	25.00 a month	..
Lower Rate	12.50 a month	12.50 a month	..
Allowance for Maintenance of Gift Car(j)	300.00 a year	300.00 a year	..

Benefit	Rate		
	Existing	Proposed 1970-71	Increase
	\$ a week	\$ a week	\$ a week
(2) MAXIMUM RATES PAYABLE SUBJECT TO MEANS TEST			
Service Pensions(k)—			
Member—Single	15.00	15.50	0.50
Married	13.25	13.75	0.50
Addition for first child	2.50	2.50	..
Addition for each other child	3.50	3.50	..
Wife's Pension (if not a pensioner)(l)	7.00	7.00	..
First child (if no addition to member's pension paid)	2.50	2.50	..
Each other child (up to fourth child)	0.25	0.25	..
Guardians' Allowances—			
Where there is a child under 6 years or an invalid child requiring full-time care	6.00	6.00	..
Other cases	4.00	4.00	..

(a) Special rate pension (commonly referred to as the T.P.I. pension) is granted where an ex-serviceman, because of incapacity accepted as due to war service, is totally and permanently incapacitated—that is, to such an extent as to be precluded from earning other than a negligible percentage of a living wage—or has been blinded as a result of war service. Where an ex-serviceman is only temporarily totally incapacitated, an amount equal to the special rate pension is payable only for the period for which he is so incapacitated. It may also be granted under certain conditions to an ex-serviceman who is suffering from pulmonary tuberculosis.

(b) Intermediate rate pension is payable where an ex-serviceman, because of the severity of his war-caused disabilities, can work only part-time or intermittently and therefore is unable to earn a living wage.

(c) General rate pension is payable to an ex-serviceman whose war-caused disabilities do not prevent him from working, although they may reduce his earning capacity. Pension from 10 per cent to 100 per cent of the maximum general rate is payable according to the degree of incapacity as assessed by a Repatriation Board, the Repatriation Commission or an Assessment Appeal Tribunal. An additional pension (but not so that the total pension exceeds the rate of special pension) is payable for certain disabilities—mainly in respect of amputations. The amount of additional pension payable varies with the severity of the amputation.

(d) A 'Special Compensation Allowance' is payable to certain general rate pensioners with assessed incapacity ranging from 75 per cent to 100 per cent.

(e) Pension is payable to the widow of an ex-serviceman whose death has been accepted as due to his war service or who has died from causes not due to war service but was receiving, at the time of his death, or is later adjudged to have been entitled to receive, the special rate of war pension, one of the rates payable to double amputees or one of the special rates payable in respect of tuberculosis.

Domestic allowance is also payable to a war widow if she has a dependent child or children under 16 years, or is 50 years of age or over, or is permanently unemployable or has a child 16 years or over who is undertaking education or training approved by the Department and who, in the opinion of the Department, is not receiving an adequate living wage.

(f) War orphans' pensions are paid for the children of an ex-serviceman whose death occurred in circumstances similar to those mentioned in (e) above. The pensions continue until the children attain 16 years.

(g) An allowance for an attendant is payable to an ex-serviceman:

at the higher rate if he has two arms amputated; or been blinded and also afflicted with total loss of speech or total deafness; or

at the lower rate if he has two legs and one arm amputated; or has certain double amputations above the knees; or been blinded; or is deemed by the Repatriation Commission to be blinded and in need of an attendant;

provided the disabilities are due to war service.

(h) Children of ex-servicemen are eligible under the Soldiers' Children Education Scheme where the ex-serviceman:

died as a result of war service; or

is receiving a special rate pension; or

died from causes not due to war service but was receiving, at the time of his death, or is later adjudged to have been entitled to receive, the special rate of war pension, or one of the rates payable to double amputees, or one of the special rates payable in respect of tuberculosis; or
is blinded as a result of war service; or
is suffering from tuberculosis and is receiving a pension equal to the special rate and is likely to remain in receipt of such pension for a period of three years.

(f) An allowance for recreation transport, at the rates shown, may be payable to certain classes of seriously disabled ex-servicemen, the rate of allowance depending on the degree of loss of locomotion. Under a proposal announced in the Budget Speech eligibility for the recreation transport allowance, at the lower rate, will be extended to the totally war blinded.

(j) A motor vehicle may be issued as a gift to certain classes of seriously disabled ex-servicemen and an allowance, at the rate shown, may be payable towards the upkeep of the vehicle.

(k) Service pension, which is broadly the equivalent of the age and invalid pensions payable to civilians, is payable, subject to a means test, to an ex-serviceman who:

is suffering from pulmonary tuberculosis; or

has served in a theatre of war (or in the case of a woman, served abroad or embarked for service abroad) and has attained, if a man, the age of 60 years, or if a woman, 55 years; or is permanently unemployable.

Where a service pension is granted to an ex-serviceman on the grounds that he is permanently unemployable or suffering from pulmonary tuberculosis, or if there is an eligible child, service pension may also be paid to his wife and the first four eligible children, but the amount for a first child is normally paid as an addition to the ex-serviceman's pension.

Where the ex-serviceman's wife is receiving a social service pension, a tuberculosis allowance or a service pension as a 'member of the forces', the rate payable to him is the married rate unless, because of the illness or infirmity of either or both of them, they cannot live together in a matrimonial home.

Guardian's allowance may be payable to a service pensioner who is unmarried, widowed, divorced or married but separated and who has the custody, care and control of a child.

Supplementary assistance at a maximum rate of \$2.00 a week is payable, subject to a means test:

to a single service pensioner who pays rent; or

to a married service pensioner who pays rent provided his spouse is not receiving a pension from the Department of Social Services, a tuberculosis allowance or a service pension as a 'member of the forces'; or

to a married service pensioner whose spouse is receiving a social service pension, a tuberculosis allowance or a service pension as a 'member of the forces' and who is unable to live with his spouse in a matrimonial home because of the illness or infirmity of either or both of them.

(l) Wife's pension is payable, subject to a means test, to a wife who is not in receipt of a pension (other than unemployment, sickness or special benefit) from the Department of Social Services or a service pension as an ex-servicewoman, if the service pensioner is permanently unemployable, suffers from pulmonary tuberculosis or has a child.

Debate (on motion by Mr Whitlam) adjourned.

APPROPRIATION BILL (No. 2) 1970-71

Message from the Governor-General recommending appropriation for proposed expenditure announced.

Bill presented by Mr Bury, and read a first time.

Second Reading

Mr BURY (Wentworth—Treasurer) [9.12]—I move:

That the Bill be now read a second time.
This Bill contains details of the proposed

appropriations for expenditure on: (a) the construction of public works and buildings; (b) the acquisition of sites and buildings; (c) items of plant and equipment which are clearly definable as capital expenditure; (d) grants to the States under section 96 of the Constitution; and (e) new policies not authorised by special legislation. The main points regarding the proposed expenditures in this Bill were dealt with in my Budget Speech. I commend the Bill to honourable members.

Debate (on motion by Mr Crean) adjourned.