

**Second Reading****(Budget Speech)**

**Mr SNEDDEN** (Bruce—Treasurer)  
(8.1)—I move:

That the Bill be now read a second time.

In doing so I present the Budget proposals.

Amongst these are important proposals to improve social service and repatriation benefits, to provide new forms of assistance for rural industries, notably wool, and to increase considerably our expenditure on defence. There will be minor tax concessions which, like the social service proposals, are oriented towards the claims of children and students.

We will also bring down measures to increase revenues and charges.

**THE ECONOMY**

Even more than usually the Government has this year found it necessary to shape its Budget to serve an overriding economic purpose. Australia is in the grip of inflationary pressures. The rate of increase in costs and prices is already fast and has tended to become faster. This is a serious condition. If allowed to develop unchecked it will cause increasing economic and social hardship to many people, add to the burdens of rural industries already depressed, disrupt developmental plans of great promise and undermine the rich possibilities of growth which our future unquestionably holds. So far as lies in our power as a government we are determined to combat this pernicious trend, slow it down and hobble it.

Until last financial year, inflation had not, for almost a decade, been a matter for serious concern with us. Through a long, unbroken phase of expansion it had usually been present in some degree but it had never gained much ground. Over the five years 1965 to 1969 average weekly earnings rose by 6.5 per cent per year and consumer prices by 3.2 per cent per year. These were years in which our population and employment increased steadily; at no time did unemployment exceed 1.5 per cent of the work force.

These facts establish that, in this country, we can have strong, sustained economic growth and continuous full employment of resources with only a mod-

erate degree of cost and price inflation. This is a vital fact, a re-assuring fact. It demonstrates that, in undertaking to bring the current more serious form of inflation under control, the Government has not embarked upon any futile task. We accept that the Government must take the lead—this we are doing—but we must have the co-operation of the community. We would be lacking in duty to ignore our responsibility or fail to take that action which lies within our hands as a government.

In some respects, the last two financial years have gone along much as did the preceding years. If anything, 1969-70 was somewhat above the trend—employment rose by 4 per cent and last year employment rose by 3.7 per cent—again above the trend. In both years there was a notable further strengthening of our external payments and reserves position. This performance was achieved despite the further decline in the overall position of the rural industries, amounting to a severe slump in the case of wool. This tended to offset and mask the growth of the other sectors of the economy.

That having been said, it is in these 2 years that cost and price inflation have gathered pace. Average weekly earnings rose by 8.9 per cent in 1969-70 and by over 10 per cent last year. In the earlier year, the Consumer Price Index rose by 3.2 per cent; but last year by 4.8 per cent and by the June quarter the underlying rate of increase in prices was above 6 per cent.

The factors which have caused these increases cannot be disentangled, still less quantified. Undoubtedly, a significant part of the impetus has come from wage increases in various forms. These increases have reflected the level of demand and a willingness on the part of employers, under pressure, to pay more for labour. Apparently it has been possible to pass on increased costs, wholly or partly, in higher prices. It is probably more helpful to think of an inter-acting set of conditions than to look for a single dominating cause. But it is important to appreciate that a cost-price sequence can become a self-activating force so that cost increases lead to price increases and these to further cost increases.

In general, as we see the problem, there has been and still is a powerful upthrust of



costs, stemming largely though not wholly from large wage claims relentlessly pursued.

There has also been and still is an over-strong pressure of demand in some sectors, the effects of which spill over into other areas. Over the past couple of years, expenditure has been running very high in non-residential construction and, to a lesser extent, on the purchase and installation of capital equipment. It has also been running very high in the public sector, both Commonwealth and State.

In the very big area of consumer spending there appears to have been a growing rate of increase in recent months. This is a critical area because of the massive additional call on resources there would be if consumer spending did rise more rapidly. This could be made possible by the big increase in personal disposable incomes that has occurred and by the large build-up in savings bank deposits over recent months. That it might happen is evidenced by a sharp growth in retail sales, at an annual rate of 12 per cent, between the recent March and June quarters. It is a development which we must have very much in mind in assessing the economic outlook. It would be calamitous for a general demand-type inflationary pressure to be superimposed upon and exacerbate present cost pressures.

Therefore it is essential to achieve the right rate of increase in demand through the year. It must be high enough to make possible full employment of the labour available—new labour as well as existing labour. At the same time it must not be so high as to facilitate and encourage further cost and price increases. Since, as I have said, demand has been running too high in some sectors, this indicates the need for a degree of restraint on demand. One obvious direction in which restraint should be applied is that of public authority spending in its various forms.

#### THE EXPENDITURE PROBLEM

While the Budget provides for substantial increases in expenditures to meet present and high priority needs in social welfare, the rural sector and defence, the Government has nevertheless been ruthless in pruning expenditure proposals.

There are, of course, large segments of the Budget where there is relatively little scope for pruning. There are large areas—notably in our payments to the States—where expenditures are determined by formula or by formal agreement. There are other areas—notably welfare and repatriation—where rates of benefit and the number of beneficiaries determine our outlays. Again, there are strong constraints with our expenditure on defence. Taken together, payments to the States, welfare and repatriation, and defence this year constitute considerably more than two-thirds of total Commonwealth expenditures. I need hardly add that a substantial increase in expenditure on many government services and activities was unavoidable because of sharply increased wages and salaries and other costs—including an extra pay-day this year.

The overall increase in our expenditures would, however, have been much larger but for a determined pruning of expenditure proposals. It may be fairly said that this year has seen the most rigorous restraints on proposals for expenditure for many years. We propose to continue to exercise this restraint and we have decided to limit the growth in the numbers employed full-time under the Public Service Act to 3.1 per cent in 1971-72. To assist in controlling the growth of expenditures, we have arranged that, in future, all Commonwealth Departments will prepare for the Government's consideration expenditure estimates for a further 2 years beyond each budget year. This will clarify the longer-term implications of individual proposals in the context of the emerging overall expenditure situation and will enable the Government to act earlier in relation to developing trends.

In terms of the conventional Budget presentation, total expenditure this year is estimated at \$8,833m, an increase of \$728m or 9.0 per cent. This figure does not allow for the effect on inter-year comparisons of the transfer of pay-roll tax to the States. After adjusting for that factor, the increase in expenditure would be \$987m or 12.2 per cent compared with the actual increase of 13.8 per cent in expenditures last year. The success of our restraints is seen in the more meaningful figures of the Commonwealth's outlays in Australia. After adjustment to remove the



estimated effects of the transfer of pay-roll tax to the States, our outlays in Australia are estimated to increase by 11.7 per cent compared with the actual increase of 14.9 per cent last year.

## THE EXPENDITURE ESTIMATES

### Defence

The Government has made an assessment of our strategic situation in the light of changes which are occurring in our international relationships.

With further improvements in the security situation in South Vietnam, and the growing capacity of that country to provide for its own defence, reductions in the Australian Force, Vietnam, have already been possible. The Prime Minister will make a statement in this Session. Arrangements for the disposition of our forces in the Malaysia/Singapore area within the Five Power arrangement are proceeding very satisfactorily.

The Defence Vote proposed is \$1,252.4m. This is \$117m, or 10.3 per cent, more than last year.

Some \$66m of the increase is for pay and salaries. New rates recommended by the Kerr Committee for other ranks will apply as from the beginning of the next pay period, and actual payment will be made as soon as regulations are promulgated. The Minister for Defence will make a statement on the new pay structure.

Expenditure on new capital equipment and works is estimated at \$227m. This is about \$32m more than last year. Major equipments to be delivered this year include ten Skyhawk aircraft for the Navy, thirteen Macchi Trainer aircraft for the Navy and Air Force, twelve Light Observation Helicopters for the Army and communications equipment and armoured personnel carriers. An amount of \$6.2m will be spent on the development of the Naval base at Cockburn Sound and on Learmonth Airfield on North West Cape. There will be a small increase in expenditure on defence aid programmes.

### Payments to the States

I believe that recent developments have led to a significant improvement in Com-

monwealth-State financial arrangements. The new grants formula settled in June 1970 is increasing State revenues considerably. More recently the agreement to transfer pay-roll tax to the States has improved their capacity to raise their own revenues. We count that agreement as a major co-operative achievement between the two branches of Government. The present aim is that the transfer of this tax should take effect as from 1 September 1971. On that basis, the offsetting reductions in the States' financial assistance grants will result in total allocations to the States from the Commonwealth Budget increasing by only an estimated \$88m to \$2,931m.

In addition, the States will receive an estimated \$259m from pay-roll tax at the existing rate and a further estimated \$90m if the rate is increased by 1 per cent as they have indicated. Thus, after allowance both for Commonwealth allocations and revenue from their new tax, the States are estimated to receive \$3,280m, an increase of \$437m or 15 per cent on the comparable figure for last year.

The Commonwealth will continue to impose pay-roll tax at the rate of 2½ per cent in the Australian Capital Territory and the Northern Territory. Details of the arrangements will be given when legislation to amend the States Grants Act 1970-1971 and the Commonwealth's pay-roll tax legislation is introduced into Parliament. There are two aspects of particular importance.

First, local government authorities will benefit by an estimated \$6m this year and \$8m in a full year through the Commonwealth meeting the cost of exempting the non-business activities of such authorities from pay-roll tax as from the date of transfer. This decision by the Commonwealth has been warmly welcomed by all local authorities.

Secondly, while accepting that pay-roll tax would be a useful addition to their revenue resources, the States emphasised that the full-year costs of the abnormally high wage and salary awards granted by various wage-fixing bodies to State Government employees last year would still make it very difficult for them to cope with their prospective 1971-72 budgetary situations. Accordingly, the Commonwealth agreed to pay the States special non-recurring revenue



assistance of \$40m this year as well as an amount of about \$22.4m associated with the transfer of the pay-roll tax.

The allocations to the States include an amount of \$860m for the State works and housing programme approved by the Loan Council. This amount, which includes an interest-free capital grant of nearly \$210m, involves an increase of \$37m or 4.5 per cent on last year's programme. In addition, the Commonwealth makes available to the States a wide range of capital payments for specific purposes, such as roads, education and the development of resources. These payments are estimated to increase by around 11 per cent to \$406m. Consistent with the effort we have made right across the Budget to restrict increases in expenditure as far as possible, the increase in these specific purpose capital payments is almost entirely a result of commitments entered into prior to the current year. We shall be bringing the same attitude of rigorous restraint to all proposals for new specific purpose capital commitments coming before us in the year ahead.

### Social Welfare

Expenditure on social welfare and repatriation constitutes the largest single item of the Commonwealth's own expenditures. Social services, repatriation benefits, health services, housing and other welfare activities will involve this year an expenditure of \$2,095m. This is \$268m more than last year. Of this increase, \$78m represents the cost in 1971-72 of current proposals for improvements in social welfare. The full year cost is \$108m. Further details are given in Statement No. 10.

#### AGE, INVALID, WIDOWS' AND SERVICE PENSIONS

The Government has pursued its policy of assisting those most in need. There will be higher pensions for those who are wholly or substantially dependent on their pensions. The standard rate pension payable to single people and widows with children is to be increased by \$1.25 to \$17.25 a week. The married rate of pension will rise by \$1.00 a week for each person to give a married couple who are both pensioners a combined maximum pension of \$30.50 a week.

Pensioners now receiving pensions at the current maximum rate and those who received part of the increase of 50c a week given in April this year will receive the full increase of \$1.25 or \$1 a week. Pensioners who narrowly missed qualifying for any part of the April increase will receive part of the present increase so that their total income will not be less than that of maximum rate pensioners with full allowable means.

The allowance for the non-pensioner wife of an invalid pensioner and the allowance for the non-pensioner wife of an age pensioner who is permanently incapacitated or who has a dependent child, have been reviewed. The wife's allowance will be increased by \$1 to \$8 a week.

Increases are also proposed in the additional pensions payable where a pensioner has dependent children. The first child will attract an increase of \$2 a week and each other child \$1, bringing the payment for each child in a pensioner's care to a uniform rate of \$4.50 a week.

The increases will apply, where appropriate, to rehabilitation and sheltered employment allowances, tuberculosis allowances and long-term sickness benefits. The proposed increases in the wife's allowance and pensions for children will be extended to the dependants of those receiving unemployment and sickness benefits. Comparable increases will also be made in service pensions payable under the Repatriation legislation.

#### CHILD ENDOWMENT

To assist young families, endowment will be increased by 50 cents a week for each child under the age of sixteen years in excess of two in a family. The rate of payment for children under 16 years in institutions will also be increased by 50c a week.

#### REPATRIATION

We propose a number of improvements in Repatriation pensions and allowances.

The special rate pension payable to a totally and permanently incapacitated war pensioner will be increased by \$3.50 to \$42.50 a week.



The intermediate rate war pension, payable to those able to work only part-time or intermittently, will be increased by \$1.75 to \$30.25 a week.

War widows' pensions will be increased by \$1.25 to \$17.25 a week. The rates payable for their children will be increased by \$1 for the first child and \$2 for the second and each subsequent child, making the pension for each child \$7 a week. The pension for a child who has lost both parents will be increased by \$2 to \$14 a week. Also to be increased are the additional allowances payable to war pensioners who require an attendant and to those who have suffered amputation of one or more limbs or the loss of an eye.

#### WAR SERVICE HOMES

The maximum loan under the War Service Homes Scheme will be increased from \$8,000 to \$9,000. Pending assent to the necessary legislation, applications for the increased loan will be accepted from eligible new purchasers and borrowers. As soon as the legislation is assented to, applications will be accepted, in conformity with existing policy and within the new loan limit, for additional loans for essential extra accommodation and approved utility services. An amount of \$60m has been provided, under advances for capital purposes, for War Service Home.

#### COMMONWEALTH HOUSING ASSISTANCE TO THE STATES

We have adopted a new approach to Commonwealth assistance to the States for housing. Under the previous Commonwealth-State Housing Agreements such amounts as were nominated for housing by each State out of its annual Loan Council borrowing programmes were advanced by the Commonwealth at a rate of 1 per cent below the long-term bond rate. The States will continue to determine the amount of their annual Loan Council borrowing programmes to be allocated to housing. However, the Commonwealth will no longer make housing advances at concessional interest rates to the States but instead will offer direct grants to help the States continue to provide housing for lower income groups.

Subject to conditions designed to maintain the Home Builders' Account arrange-

ments, we propose, in respect of State housing activities in each year from 1971-72 to 1975-76, a basic grant of \$2.75m a year payable for a period of 30 years. Because this annual grant is cumulative, we will be committed to pay over \$412m to the States during the next 34 years. We also propose a non-cumulative grant of \$1.25m each year for the next five years as a contribution towards the cost to the States of reduced rents for families they regard as being in need of this assistance. The Commonwealth will also offer to advance all the funds to be spent by the States on building homes at the Commonwealth's request for serving members of the Forces—thus relieving the States of the obligation to use a portion of their housing funds for this purpose.

The Minister for Housing will elaborate on these proposals.

#### ROYAL FLYING DOCTOR SERVICE

There will be an increase in the operational subsidy payable to the Royal Flying Doctor Service from \$180,000 per annum for the triennium just completed to a new yearly rate of \$315,000 for the triennium 1971-74. In addition, the Government will continue to provide a capital grant at the same rate of \$170,000 per annum as has applied for the past three years.

#### Education

The Commonwealth is meeting a significant share of the cost of education throughout Australia, both through the support it gives to State budgets and by direct expenditure under Commonwealth programmes.

In 1971-72 Commonwealth payments to the States for particular types of expenditure on education are expected to exceed \$200m. The bulk of these payments—about \$128m—is for universities and colleges of advanced education. This figure includes a special allocation to assist these institutions in meeting the cost of exceptional increases in non-academic salaries. In its own territories the Commonwealth expects to provide about \$77m this year.

The number of advanced education scholarships will be increased from 2,500 to 4,000 awards from the beginning of 1972. There will also be 200 new awards



for students in teacher education who contemplate joining the Commonwealth Teaching Service. Expenditure on the various scholarship programmes this year is estimated at \$43.7m compared with \$38.4m last year.

Taken as a whole, Commonwealth direct expenditure on education is estimated at almost \$346m, or 14 per cent more than last year. The value to taxpayers of deductions for education expenses is estimated to be \$75m this year.

### External Aid

The estimates provide for an increase of \$9m in external economic aid to developing countries including Papua New Guinea. As explained in Statement No. 8, a greater increase could conceivably emerge later in the year. Bilateral aid (excluding Papua New Guinea) will increase by 8 per cent in 1971-72. Further details are set out in that Statement.

For the first time, Australia in 1970 exceeded the internationally accepted 'one per cent' target for the total flow of financial resources, both official and private, to developing countries. The probability is that we shall do so again this year. In terms of the amount of official development assistance extended to developing countries, expressed as a percentage of Gross National Product, Australia was ranked third in the world in 1970, for the fifth year in succession, by the Development Assistance Committee of OECD.

### 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 \$658m, of which payments to industry accounted for \$317m. Details are given in Statement No. 9.

Commonwealth payments to industry are expected to total \$371m or \$54m more than last year. Export incentive payments are expected to total \$53m, industrial research and development grants \$13m, net expenditure by way of subsidy to shipbuilding \$10m and payments of petroleum search subsidy \$8.6m.

Rural industries continue to encounter serious difficulties in export markets; countries of the European Economic Community adhere to a protective Common Agricultural Policy and many other countries pursue policies aimed at agricultural self-sufficiency. There seems to be little prospect that these difficulties will ease.

In considering the amount of assistance to be provided from the Budget this year for rural industries, the Government noted that farm income in 1970-71 is estimated at about \$810m, about \$265m less than the year before. This has had an impact not merely on the producer but on rural communities generally.

The Government has given high priority to measures aimed at giving support to farmers whose enterprises are basically viable, but who are burdened with an excessive amount of short-term debt or whose properties could with advantage be built up to a larger size. To finance schemes of debt reconstruction and farm build-up, an amount of \$4m was paid to New South Wales last year and a further \$40m is provided this year for payment to the States.

Provision is also made for payment to the States of \$11.5m under the marginal dairy farms reconstruction scheme. Payments last year were \$3.1m.

Advances for capital purposes include \$10m for the Commonwealth Development Bank to help finance an extension of the Bank's operations to include loans to farmers to build up the size and operational efficiency of their farms.

In these various ways the Government has demonstrated its willingness to assist farmers to adjust to the changes that are occurring in the rural sector. For those farmers not in a position to achieve commercial viability, the Commonwealth will introduce a retraining scheme. Details will be announced by the Minister for Labour and National Service. The rural reconstructions scheme also provided for rehabilitation assistance—where this is necessary to alleviate personal hardship—to those farmers obliged to leave rural industry.

The Government has given particular consideration to the position of those farmers substantially dependent on their income from wool. The collapse in wool



prices during 1970 brought them to a figure as low as that ruling in 1948 when, of course, costs were much lower.

The Australian Wool Commission's operations have had a stabilising effect on wool prices. As already announced by the Minister for Primary Industry, the Government will continue to support the Commission in its reserve price operations on the same basis as in the past season, subject to regular reports and review by the Commission on its purchases and buying limits. Last year the Commonwealth made available to the Commission \$12m for working capital to finance purchases of wool and an arrangement was negotiated with the trading banks to provide up to \$34m to the Commission for this same purpose. This latter amount is not yet fully drawn. Advances for capital purposes include a further \$10m to be advanced to the Commission as working capital should this be needed.

The Budget provides, in addition, \$4m against a possible loss by the Commission and \$3.7m towards the costs involved in handling wool included in the Price Averaging Plan.

The Government has decided that producers of wool should be given additional assistance this year, and will introduce a 1-year scheme of deficiency payments in respect of the 1971-72 wool clip. Deficiency payments will be a percentage of market realisations, calculated from time to time so as to ensure that, on average, growers receive for shorn wool—other than specified inferior types accounting for about 10 per cent of shorn wool—a return corresponding to a price for the whole clip of 36c a pound greasy. Under this method individual growers will retain an incentive to obtain the best possible price for their wool. The necessary legislation will be introduced by the Minister for Primary Industry as soon as practicable.

Provision is made in the Budget for expenditure of \$60m under this scheme in 1971-72. Some expenditure will also be involved next year in respect of wool sold towards the end of the season. In calculating the possible total commitment, the Government has, of course, had to assume a figure for likely market proceeds from sales of wool in 1971-72. However, accu-

rate estimation of this figure is scarcely feasible because of the many factors that have a bearing on it and the expenditure estimate I have mentioned is subject to a considerable margin of uncertainty.

The phosphate fertilizers bounty will be extended to 31 December 1974. Expected expenditure this year is \$38m.

The 1-year additional bounty on 1970-71 butter and cheese production is to be extended to 1971-72 production at a lower rate. Expenditure on butter and cheese bounties this year is expected to be almost \$40m.

A 5-year stabilisation plan for the apple and pear industry will be introduced, at an estimated cost in 1971-72 of \$3m.

Payments to rural industries, details of which are given in Statement No. 9, are expected to total \$275m—that is, \$65m more than last year.

The Commonwealth has assisted primary producers affected by drought by reimbursing State Governments where they are involved in substantial relief expenditures of an abnormal nature. Last year we provided nearly \$14m to New South Wales and Queensland and this year we will continue to assist the Queensland Government in financing relief measures and restocking assistance.

The situation in the wine industry has been kept under close review by the Government. Having considered the report of an inter-departmental committee, we have decided not to alter the existing duty on wine. However, the problems currently affecting some growers in the industry are well recognised and will be kept under review by Commonwealth, State and industry authorities in conjunction with the Agricultural Council.

The Export Payments Insurance Corporation Act will be amended to enable a buyers' credit scheme to help Australian exporters of capital goods. The Minister for Trade and Industry will introduce the necessary legislation.

#### **Advances for Capital Purposes**

It is estimated that advances for capital purposes will increase by \$47m to \$495m. Last year the increase was \$83m.



The largest increase—\$56m—is in the advance to Qantas to meet payments on new aircraft. This item represents a transfer to Qantas of the proceeds of drawings against certain loans raised overseas for aircraft purchases; it does not involve any domestic outlays.

The amount to be provided to the Post Office from the Budget is \$255m—\$8m more than last year. The remaining finance for its capital programme will be provided by the Post Office from internal resources—mainly depreciation funds.

Post Office charges were increased last year, but increases in wage and salary levels have been much larger than were expected. The full year cost of wage and salary increases awarded in 1970-71 is estimated at \$77m. Were charges to be left at their existing levels, a loss of more than \$30m would be incurred this year. This would require either a substantial reduction in the Post Office capital programme, and consequently in the level of services, or a provision from the Budget much larger than our overall financial position would justify. To avoid such a loss, and to help in financing the capital programme, it is proposed to raise charges to increase Post Office receipts by about \$50m in 1971-72. Details will be given to the House by the Postmaster-General.

A further capital payment of \$12.5m is to be made this year to the Australian Industry Development Corporation. The payment made last year was \$25m. There are substantial reductions also in various other advances, including those for the Snowy Mountains Hydro-Electric Authority and the Australian National Airlines Commission.

#### Other Capital Works and Services

Expenditure on other capital works and services is estimated to be \$262m, an increase of \$22m.

There will be an additional \$9m for new hospital construction in the Northern Territory and the Australian Capital Territory, and an additional \$4m towards construction of the new standard-gauge line between Port Augusta and Whyalla.

#### Departmental Running Expenses

Departmental running costs are estimated, at current levels of salaries and costs,

to increase by \$84m, or 15 per cent. This large increase is in part explained by the additional public service pay-day in 1971-72 which takes \$16m and in part by the full-year effect of salary increases awarded last year. The Government is concerned about the rate of growth of departmental expenditure and has taken action to curtail it. It is proposed to initiate within the Government a review of the existing functions and activities of departments. It is not expected that this review, which will of necessity be spread over some months, will lead to substantial additional economies in the current financial year. In the longer term, however, the Government aims to achieve further economies which should ensure that the rate of increase in departmental expenditure is restricted to the absolute minimum consistent with the execution of Commonwealth functions of vital importance to the national welfare.

#### Other Expenditures

##### SUPPORT FOR THE PERFORMING ARTS

Grants in support of the performing arts will be increased to \$4.5m. Details to be announced by the Minister for the Environment, Aborigines and the Arts will show increased funds for further development of the Australian Opera Company and Orchestra.

##### ABORIGINAL ADVANCEMENT

An amount of \$14.35m will be available for expenditure from the Aboriginal Advancement Trust Account mainly for special programmes of housing, health and education. This is an increase of \$3.1m or 28 per cent. Grants to the States will be increased by 31 per cent to \$9.2m and expenditure on study and secondary grants for the education of Aboriginal children is expected to increase by 52 per cent to \$3.8m.

In addition, expenditure on Aboriginal advancement by or on behalf of the Northern Territory Administration is expected to amount to more than \$16m.

##### RETIREMENT PENSIONS AND ALLOWANCES

Existing Commonwealth Superannuation Fund and Defence Forces Retirement Benefits Fund pensions, which were last increased in 1967, will again be increased



by the notional salary method, using salary and pension entitlement levels ruling on 30 June 1971.

The estimated cost of the increases is \$11.5m this year, but the net cost to the Budget is estimated at \$6.2m because a large part of the cost will be met by the Post Office and other authorities outside the Budget.

A comparable adjustment of existing pensions payable under the Parliamentary Retiring Allowances Act will also be made at an estimated cost of \$78,000 this year.

The notional salary method is complex and experience has shown that it generates anomalies and inequities between pensioners. The Government proposes to examine simpler and more equitable methods of adjustment with a view to future application on a regular basis.

#### THE BUDGET STRATEGY

We see it as a critically important objective of our policy to combat the inflationary forces now running in our economy, and it is against this objective that I now come to explain the strategy of this Budget and our decision to raise additional revenues.

Although cost increases and the price increases which follow them may be due, in the first instance, to increases in wages and other cost elements, they are without doubt stimulated and made possible by conditions of strong demand for resources. Hence, if resistance to such cost increases is to be stiffened, as it must be, there has to be a sufficient degree of restraint on potential demand for resources, particularly in those sectors where it is obviously running too high.

The chief instruments available to the Government and its related authorities are the annual Budget, the effects of which are spread over the ensuing year, and monetary measures taken by the Reserve Bank in collaboration with the Government.

I said earlier, one of the most expansive sectors of demand has been public sector expenditure, of which Commonwealth expenditure comprises a large share. Obviously, therefore, we had to make this our first target, and I have described the steps we have taken to slow down the rate of increase in this source of demand.

Since there will still be, within Australia, a considerable increase in Commonwealth spending, it must at least be offset by an increase in Commonwealth domestic receipts from taxation and other sources of revenue. But if, as we believe, there is need to apply a wider restraint than this and exert a steadying influence on the upward course of demand in the economy, the rise in these receipts should more than cover the increase in expenditures. In other words, there has to be a larger surplus of domestic receipts over domestic expenditures. The practical question is how much larger this surplus ought to be.

After considering this question in depth the Government reached the view that it should seek a somewhat larger domestic surplus than the \$550m envisaged in the 1970-71 Budget. Because subsequent events added heavily to our expenditures and our revenues were adversely affected by the Senate rejection of our legislation on the States' receipts duty, the domestic surplus last year proved to be \$460m. We see this, however, as an adventitious result, hardly to be taken as a guide for what should be sought in 1971-72.

For some time there has been a prospect that monetary liquidity would rise excessively. This has been due principally to the rapid build-up of our overseas reserves which in turn has been due to excellent results on our external trading account and the sustained high level of capital inflow. The effect is to add to the financial resources available to people and institutions within Australia over and above those derived from domestic sources. Obviously this must operate to facilitate higher levels of expenditure at a time when these are already high.

Achievement of a domestic surplus, by which more is withdrawn in revenues than is put forth in expenditures within Australia, works against this tendency for liquidity to rise to excess. Net sales of securities to the public, together with monetary measures such as restraints on bank lending, operate in the same direction. In the prevailing and foreseen economic conditions, it will be necessary to maintain a restrictive monetary policy and, as was the case last year, to encourage sales of government securities. The relationship



between the Budget and monetary conditions is discussed in some detail in Statement No. 3.

From what we see now, the influences tending to produce excess liquidity could continue strongly in 1971-72. This provides a further reason for seeking to achieve a large domestic surplus. The figure we have decided upon is \$630m, which is \$80m more than the amount for which we budgeted last year.

### THE REVENUE ESTIMATES

Before allowing for revenue measures which I will discuss later, it is estimated that total receipts this year would be \$8,654m, an increase of \$624m, or 7.8 per cent. However, if adjusted to allow for the transfer of pay-roll tax to the States, the figure comparable with actual receipts last year would be \$8,913m, an increase of 11 per cent. The basis of these revenue estimates is discussed in Statement No. 5.

Because of cost increases, we are proposing to increase some charges. Governments are not immune to cost increases and users of government services—rather than the general taxpayer—should be required to meet these costs. However, to achieve a domestic surplus of \$630m it is necessary for us to seek additional tax revenue in this financial year of \$157m.

### Taxation Measures

To decide upon the particular taxes by which this additional revenue would be raised proved to be a matter of some difficulty. In the present context the object of any tax increase is to moderate development of demand and that can be done either by taxes on incomes or by taxes on spending—that is, taxes levied on commodities. The latter form of taxation has the drawback that it adds to prices. Taxes on incomes are more likely to be free from this consequence although it is sometimes argued that company tax increases eventually find their way into prices. On balance, the Government has decided to seek the major part of the additional revenue it needs in 1971-72 from taxes on certain company income and on personal incomes and the lesser part from increases in customs and excise duties on petroleum products and tobacco products. Our proposals are accordingly as follows.

### Company Tax

At present, the first \$10,000 of a company's taxable income is generally taxed at a lower rate than the balance. We have concluded that the present concessional rates are no longer warranted. In reaching this conclusion we have been mindful not only of revenue requirements but also of the fact that the rates were adopted in circumstances largely different from those now prevailing and that, in some instances, these provisions have been the basis of tax minimising schemes by some taxpayers. We therefore consider this change as a move not merely producing additional revenue, but also as one towards a sounder and more equitable system of company tax. We propose that the rates applied to the first \$10,000 of taxable income, including shading-in and special rates, be increased by 5c in the dollar. Friendly Society Dispensaries—which have a uniform rate of 37½ per cent—will not be affected. The general public company rate of 47½ per cent will therefore apply to the whole of the income of public companies other than income taxed at special rates. For private companies the rate on the first \$10,000 of taxable income will be 37½ per cent and the rate on the balance will remain at 42½ per cent. These changes, which will apply to incomes of companies for the income year 1970-71, are estimated to yield \$24m this year.

A consequential change will be made to the rate on the first \$10,000 of 1971-72 investment income of a superannuation fund that does not invest a sufficient proportion of its assets in public securities, as these funds are taxed at the same rates as mutual income of a life insurance company.

### Personal Income Taxation

It is proposed to raise a large part of the balance of our revenue requirements through the personal income tax rather than add further to sales tax. Accordingly, we propose to increase the 2½ per cent levy to 5 per cent. This increase is estimated to yield \$68m this year. The new scale of tax instalment deductions from wages and salaries will operate from 1 October 1971.

The levy will not apply to tax calculated under the age allowance. Consequently the upper limits of the shading-in ranges of the



age allowance will increase. Apart from that, it is not proposed to change the age allowance.

It is proposed to liberalise certain deductions allowed to personal income taxpayers. The deductions in question relate to education, a matter to which we attach great importance, and to child adoption expenses. We propose that the maximum deduction allowable for education expenses of a dependent full-time student child be increased from \$300 to \$400 per annum. We also propose that education expenses will be allowable deductions in respect of such students under 25 years instead of under 21 as at present. Consistently with that, we shall increase to 25 years the age at which a student ceases to qualify as a dependant for purposes of the dependant's allowance. Finally, it is proposed that a deduction be allowed for legal expenses and court costs of the kind normally incurred by a taxpayer in adopting a child. It is estimated that the cost to revenue of these concessions will be \$405,000 this year and \$6,350,000 in a full year.

#### Customs and Excise Duties

We shall need to raise more revenue than will be yielded by the measures I have just mentioned. Accordingly, we propose to increase the rates of customs and excise duties on cigarettes and cigars by 50c per lb and on manufactured tobacco by 25c per lb. It is estimated that these increases will yield \$21m this year.

We also propose to increase by 2c a gallon the customs and excise duties on motor spirit, automotive distillate used in road vehicles operating on public roads, aviation turbine fuel and aviation gasoline. These changes are estimated to yield \$43m this year.

For some years there have been exemptions from excise for coal tar and coke oven distillates produced as a by-product in the process of converting coal to coke. The Government is satisfied that the circumstances giving rise to the exemption no longer have force, and has decided to remove this exemption where these distillates are used as substitutes for or in admixture with motor spirit. It has also been decided to remove the current excise exemption for condensate produced from natural casing head gas when it is used in admixture with motor spirit in internal

combustion engines. These changes are estimated to save the revenue \$1.3m in 1971-72.

The net effect of the various taxation proposals I have just outlined will be to increase revenues this year by \$157m.

As promised when the investment allowance for manufacturing plant and equipment was suspended, the Government has given further thought to the transitional provisions but has decided against amendment of the legislation.

#### Miscellaneous Charges

##### LISTENERS' AND VIEWERS' LICENCES

Listeners' and viewers' licence fees were last increased in October 1968. Since then, the gap between receipts from licence fees and expenditure in providing and maintaining the National Broadcasting and Television Service has increased because of mounting wage costs, extension of television to lesser-populated country areas and development of programme services.

It is proposed to increase licence fees, other than the special rates payable by pensioners, to yield \$11m in 1971-72. Further details will be provided by the Postmaster-General.

##### LIGHT DUES

To help meet the rising costs of providing marine navigation aids, it is proposed to increase light dues—that is, charges to shipping for the use of these facilities—from 20 cents to 22 cents per net registered ton per quarter. The increased charges will apply from 1 October 1971 and are estimated to yield \$480,000 this year.

##### PHARMACEUTICAL BENEFITS—PATIENT CHARGE

The Government has for some time been greatly concerned at the mounting cost of the Pharmaceutical Benefits Scheme. The charge payable by patients has been 50 cents since the charge was adopted in 1960. In that year the cost of the Scheme was \$49m; last year it was \$160m. A charge of 50 cents, appropriate eleven years ago, cannot be regarded as appropriate today. Accordingly, the Government proposes to introduce legislation to increase the charge to one dollar. As a result of this change it is estimated that



Commonwealth expenditure this year under the Pharmaceutical Benefits arrangements will be reduced by about \$16m. Pensioners and their dependants enrolled in the Pensioner Medical Service, who are entitled to free pharmaceutical benefits, will continue to be exempt from any charge. Special arrangements will be made for those persons enrolled in the Subsidised Health Insurance Scheme to continue to receive pharmaceutical benefits for the present contribution of 50 cents for each prescription.

#### AIR NAVIGATION CHARGES

In recent years there have been annual increases in rates of air navigation charges in accordance with the Government's policy that the air transport industry should progressively meet a greater proportion of the costs of airports and airway facilities. A Working Group of departmental officers and airline representatives will shortly complete a report, in which the airlines are making submissions concerning the costs they should meet. A decision on air navigation charges will be taken by the Government after consideration of the report.

#### CONCLUSION

Fiscal action can exercise a pervasive effect, but the Government's capacity to deal directly with inflationary pressures arising primarily from cost pressures is more limited. We have already taken some action in areas where we have power to do so and the Government has under active study various other aspects of the problem of excessive cost increases. I might mention, in this budget context, that the Government is considering what might be done by way of strengthening the arbitration system and, in particular, bringing more to the forefront the economic consequences of decisions which are taken within that system. When these studies have been completed, we will consider whether further measures should be taken to cope with the problem of excessive cost and price increases.

I must refer to the escalating level of industrial unrest. Working days lost through industrial disputes in the first five months of 1971 topped the high rate of last year by nearly 25 per cent. In the past three years the annual loss of working days has been 1.1m, 2.0m and 2.4m. But it is not the direct losses of production and wages from this rising tide of militancy

which are so disturbing as the fact that confrontations in industry are often resolved only at the cost of grossly inflationary wage settlements. The real costs to the community of the stimulus to inflation which such settlements provide dwarf, I venture to suggest, the direct losses from prolonged stoppages. If the inflationary trend is to be contained, a halt will have to be called to this process.

I need hardly add that the Government will do all it can, by persuasion and example, to encourage those in the private sector who make decisions directly affecting wages and other costs, profits, and ultimately prices, to have at all times in the forefront of their consideration the broad national interest. Let me say too that we are very conscious of the problems posed for manufacturers and other businesses by inflationary tendencies and other economic trends.

In striving to restrain the forces of inflation, the Government has been concerned to ensure that this Budget does not contribute to a situation where demand pressures might be superimposed upon cost pressures. There may be some who believe that we should have taken that risk and allowed demand to have its head. At least in the short term, this would have been the easier and perhaps the more popular course. But in our view it would not have been the right way nor the responsible way. We will be keeping the whole situation under very close review throughout the year so as to make any adjustments in policy which might prove to be necessary.

As it is, we believe the Budget will not discourage the real growth of the economy. Given the anticipated growth in productive capacity, there should be scope for growth in the demands of the private sector. There is scope for a real lift in the standard of living which should be shared by many who would otherwise be the undefended victims of inflation and the self-seeking of stronger, more aggressive groups.

On its own, the Budget cannot, of course, ensure that the nations' objectives are achieved. But this Budget, concerned as it is with the high national objectives of social welfare, economic strength and national security, provides the essential framework for the attainment of these national goals.

Debate (on motion by Mr Whitlam) adjourned.



## STATEMENT No. 1—SUMMARY OF THE 1971-72 BUDGET

## THE ECONOMIC CONTEXT

The 1971-72 Budget has been framed in a context of rapidly increasing costs and prices, a relatively tight labour market and the prospect of increased pressures on resources in the year ahead. Gross national product at constant prices increased less rapidly in 1970-71 than in the preceding year, but is expected to grow somewhat faster in 1971-72.

## 1970-71

Estimates of the main components of gross national product and gross national expenditure in 1970-71 are given in detail in the document 'National Income and Expenditure 1970-71' presented with the Budget Papers. In terms of constant prices, the estimates show that gross national product increased in 1970-71 by 3.9 per cent, with non-farm product increasing by 4.4 per cent, and farm product declining by 1.2 per cent. Gross national expenditure increased by 2.8 per cent at constant prices. Of its main components, personal consumption expenditure is estimated to have increased by 2.7 per cent, private capital expenditure by 5.0 per cent, and public sector spending (current and capital) by 2.2 per cent.

In current prices, the main changes in 1970-71 from 1969-70 shown by the estimates are:—

- an increase of 9.7 per cent in gross national product, comprising an increase of 11.4 per cent in the gross value of non-farm product and a decrease of 12.0 per cent in the gross value of farm product;
- an increase of 9.7 per cent in gross national expenditure, including increases of 8.9 per cent in personal consumption, 2.1 per cent in private gross fixed investment in housing, 15.6 per cent in other private gross fixed investment and 11.0 per cent in public expenditure on goods and services;
- moderate growth in both imports and exports, although in the outcome there was an excess of exports over imports of goods and services of \$10 million compared with an excess of exports over imports of \$4 million in 1969-70.

Also in 1970-71:—

- there was a sharp acceleration in the rate of increase of money wages and prices, especially in the second half of the year;
- although the labour market tended to ease over much of the year, the total movement was relatively small.

## 1971-72

In 1971-72, gross national product at constant prices seems likely, on present indications, to increase by something over 5 per cent; an increase similar to the average in recent years. Average employment in 1971-72 is expected to increase by a little under 3 per cent; the rise in non-farm productivity may be about 2.5 per cent. There is, of course, considerable uncertainty at this stage of the season about the likely movement in farm output but this forecast assumes a moderate increase.

Demand is expected to accelerate in 1971-72. In particular, a faster growth of consumer spending is likely, given a delayed impetus by the strong recent growth in money incomes and in savings. Gross private investment on dwellings should rise considerably faster than in 1970-71, and, despite moderating influences in some areas, other private investment should continue to grow overall. The financial position of the State sector will doubtless permit a very strong growth in expenditures to continue in that sector.

The rate of increase in average weekly earnings continued in 1970-71 the accelerating trend evident in recent years. A more moderate trend has been assumed in 1971-72. Nevertheless, the increase of 9 per cent assumed for the purpose of estimating pay-as-you-earn tax collections is a very large one reflecting, to a large extent, the fact that average weekly earnings are *already* well above their *average* level in 1970-71.



In the light of this economic assessment the Budget sets out to provide for increases in essential expenditures whilst restraining the growth in the Commonwealth's total domestic outlays. At the same time it aims, by raising additional revenues, to guard against the development of undue demand pressures

*Budget Estimates in National Accounts Terms*

The estimates in national accounts terms are set out in detail in Statement No. 2 and further reference is made there to their economic implications. They are also discussed further in the Supplement to the Treasury Information Bulletin which accompanies the Budget documents. The following table provides a summary of the main Budget aggregates in national accounts form.

	1970-71			1971-72		
	Actual	Change on 1969-70		Estimate	Change on 1970-71	
	\$ million	\$ million	Per cent	\$ million	\$ million	Per cent
Domestic Outlay ..	7,669	+ 994	+ 14.9	8,311	+ 643 (+902)*	+ 8.4 (+11.7)*
Overseas Outlay ..	521	+ 1	+ 0.2	589	+ 68	+13.1
Total Outlay .. ..	8,190	+995	+13.8	8,900	+711 (+970)*	+ 8.7 (+11.8)*
Total Receipts ..	8,114	+ 926	+12.9	8,890	+775 (+1,034)*	+ 9.6 (+12.8)*
Deficit .. ..	75	+ 69	..	11	- 64	..
Budget Domestic Surplus	460(a)	- 60	..	630	+170	..

\* On a basis adjusted to remove the effects of the transfer of pay-roll tax  
(a) Approximate

Notable aspects are:—

- The growth in domestic outlays is estimated to be 8.4 per cent in 1971-72 (11.7 per cent adjusted) compared with 14.9 per cent in 1970-71. A reduction in the rate of growth of Commonwealth outlays in Australia has, of course, been a prime objective of Government policy. It is estimated that the Commonwealth's domestic expenditure on goods and services will increase by 12.2 per cent compared with an increase of 14.3 per cent in 1970-71.
- An estimated increase of 13.1 per cent in Commonwealth outlays overseas contrasts with the outcome in 1970-71 when the Commonwealth's overseas outlays were virtually stable. In view of the strength of Australia's external reserves, this rapid growth in overseas outlays gives no cause for concern from the point of view of external balance.
- An increase of 7.5 per cent in receipts before taking account of the proposed revenue measures and 9.6 per cent when allowance is made for those revenue measures which are estimated to yield \$168 million in 1971-72. When adjusted to remove the effect of the pay-roll tax transfer the estimated increase is 12.8 per cent. The revenue measures announced will, of course, have a restraining effect on demand in Australia and should contribute to growth in estimated revenues in 1971-72 which both in absolute and relative terms exceeds the growth in domestic outlays with the result that the Budget domestic surplus is estimated to be larger than in 1970-71.
- The surplus of revenue over outlays in Australia—the Budget domestic surplus—is estimated to be \$630 million compared with \$460 million in 1970-71. Thus, the Budget will result in a substantial withdrawal of liquidity from the economy. This should act as a strong restraining factor on expenditure by the private sector.



*Budget Estimates in 'Conventional' Terms*

The following table summarises in 'conventional' terms the estimates for 1971-72 and actual expenditures and receipts for 1970-71.

	1970-71			1971-72		
	Actual	Increase on 1969-70		Estimate	Increase on 1970-71	
	\$ million	\$ million	Per cent	\$ million	\$ million	Per cent
Expenditures .. ..	8,106	984	13.8	8,833	728 (987)*	9.0 (12.2)*
Receipts .. ..	8,030	916	12.9	8,822	792 (1,051)*	9.9 (13.1)*
Deficit .. ..	75	69	..	11	64	..

\* On a basis adjusted to remove the effects of the transfer of pay-roll tax.

## Notable aspects are:—

- An increase of \$728 million or 9.0 per cent (\$987 million or 12.2 per cent on the adjusted basis) in expenditures. On a basis comparable with 1970-71 the estimated rate of increase in expenditures is smaller than in 1970-71.
- An increase of \$792 million or 9.9 per cent in total receipts. On a basis comparable with 1970-71 the increase would be \$1,051 million or 13.1 per cent.

The main elements in the estimated change in expenditures in 1971-72 and the change on 1970-71 are as follows:—

	Change 1970-71 on 1969-70		Estimated Change 1971-72 on 1970-71	
	\$ million	Per cent	\$ million	Per cent
Defence Services .. ..	+ 34	+ 3.1	+ 117	+ 10.3
Payments to or for the States and Works and Housing Programmes .. ..	+ 427	+ 17.7	+ 88	+ 3.1
National Welfare Fund .. ..	+ 135	+ 10.1	+ 217	+ 14.7
Repatriation Services .. ..	+ 18	+ 6.2	+ 40	+ 12.8
Debt Charges .. ..	- 1	- 1.0	- 6	- 5.7
Departmental Running Expenses .. ..	+ 75	+ 16.1	+ 84	+ 15.4
Territories (excluding Papua New Guinea) ..	+ 16	+ 18.9	+ 14	+ 14.3
External Economic Aid (including Papua New Guinea) .. ..	+ 10	+ 6.4	+ 9	+ 5.5
Commonwealth Payments to Industry .. ..	+ 92	+ 41.1	+ 55	+ 17.2
Other Expenditures .. ..	+ 47	+ 12.9	+ 41	+ 9.9
Advances for Capital Purposes .. ..	+ 83	+ 22.8	+ 47	+ 10.5
Other Capital Works and Services .. ..	+ 46	+ 23.9	+ 22	+ 9.1
Total Expenditures .. ..	+ 984	+ 13.8	+ 728	+ 9.0

Some features of the expenditure estimates in conventional Budget terms are:—

- Proposed increases of \$217 million in payments to the National Welfare Fund and \$40 million in expenditure on repatriation services arising in part from the occurrence of additional pension pay-days and in part from changes in the numbers of recipients and the full-year effects of increased rates of benefit introduced last year. The new



and increased benefits announced in the Budget Speech contribute an estimated \$73.9 million of this increase. The increase would have been larger but for increased patients' contributions for pharmaceutical benefits which are expected to reduce estimated expenditures in 1971-72 by \$15.8 million below what they would otherwise have been.

- A proposed increase of \$117 million or 10.3 per cent on expenditures on defence services. The largest part of the increase—some \$66 million—is for service pay and civil salaries.
- An estimated increase in departmental running expenses of \$84 million or 15.4 per cent. About \$69 million of this increase is due to greater payments of wages and salaries, arising from increased numbers of employees, from increases in wage and salary rates which became effective in 1970-71, and from an extra public service pay-day in 1971-72.
- A proposed increase of \$55 million or 17.2 per cent in payments to industry arising in large part from assistance of various kinds to rural industry, particularly the wool industry.
- Of the estimated increase in expenditures including those above, an amount of about \$40 million is attributable to the occurrence of an additional public service pay-day and a further \$40 million to additional pay-days for some social service and repatriation pensions

Further details of estimated expenditures in 1971-72 are given in Statement No. 4.

Before taking account of the proposed revenue measures, total Commonwealth receipts are estimated to increase by \$624 million—7.8 per cent—to \$8,654 million. Adjusted to remove the effects of the pay-roll tax transfer, the increase is estimated at \$883 million or 11.0 per cent. This would be a substantial rate of increase but below that in 1970-71 and in 1969-70. The assumed increases in average earnings and employment are estimated to produce another large increase in pay-as-you-earn income tax collections. The growth in income tax collections as a whole, however, will be adversely affected by the lower rate of growth of company incomes in 1970-71, which will be assessed for tax in 1971-72, and by the further decline in the incomes of primary producers in 1970-71. Continued growth in private sector expenditures is expected to result in increased revenue from indirect taxes.

The proposed revenue measures announced in the Budget Speech are estimated to produce a net increase in receipts of \$169 million in 1971-72—or \$210 million if applying for the full financial year. The measures and their estimated revenue effects are shown in the following table:—

	Estimate of Yield in 1971-72	Estimate of Yield if Operative for Full Year
	\$'000	\$'000
<b>Income Tax:</b>		
Individuals—levy increase from 2½ per cent to 5 per cent .. .. .	68,000	87,000
—increases in concessional deductions .. .. .	-405	-6,350
Companies—variation of differential rates .. .. .	24,000	26,000
<b>Customs and Excise duties:</b>		
Petroleum products—increase of 2 cents per gallon .. .. .	43,200	54,100
—removal of by-law exemptions .. .. .	1,300	1,500
Tobacco products—increases of 50 cents per lb on cigarettes and cigars and 25 cents per lb on manufactured tobacco .. .. .	21,000	31,700
Listeners' and Viewers' Licence fees .. .. .	11,000	15,500
Light Dues .. .. .	480	640
<b>Total .. .. .</b>	<b>168,575</b>	<b>210,090</b>



After taking into account the estimated revenues arising in 1971-72 from these proposed measures, total Commonwealth receipts are estimated to be \$8,822 million, an increase of \$792 million or 9.9 per cent—\$1,051 million or 13.1 per cent on the adjusted basis.

*Summing Up*

The Budget provides for substantial increases in outlays for social welfare, assistance to industry and defence. Other substantial increases in expenditure reflect the rising cost of sustaining the wide range of activities and services provided by the Commonwealth. These increased outlays will themselves contribute to the growth of demand and activity in the economy, although it is to be noted that the estimated rate of increase in the Commonwealth's domestic outlays is significantly below the actual rate of increase in 1970-71.

To guard against the possibility of overall demand and activity in the economy running to excess, measures are proposed to raise substantial additional revenue.

The estimated outcome of the Budget is a small deficit, but it is also estimated that the net result of the Commonwealth's outlays and revenues *within* Australia will be a domestic surplus of about \$630 million in 1971-72. At the same time, it is expected that there will be a substantial build-up in liquidity in the economy, especially in the first half of the financial year, due in part to the sizeable *temporary* deficit in the Budget which arises largely from the seasonality of the Commonwealth's tax collections. This may facilitate preparation by the private sector for the expected liquidity tightness in the second half of the year. The monetary and financial aspects of the Budget are examined in more detail in Statement No. 3.



## STATEMENT No. 2—BUDGET ESTIMATES IN NATIONAL ACCOUNTS FORM

The presentation of receipts and outlay in national accounts form facilitates the analysis of the relationship between the Budget and the economy as a whole. The following table summarizes in this form the actual outcome in 1970-71 and the prospective outcome for 1971-72. A more detailed table appears on page 13. (1)

### RECEIPTS AND OUTLAY OF COMMONWEALTH BUDGET

	1970-71 Actual	1971-72 Estimate	Increase	
			1969-70 to 1970-71	1970-71 to 1971-72
	\$ million	\$ million	\$ million	\$ million
<i>Outlay</i>				
Net expenditure on goods and services .. .. .	2,200	2,443	202	243
Transfer payments and net advances .. .. .	5,990	6,458	792	468
<b>Total outlay .. .. .</b>	<b>8,190</b>	<b>8,900</b>	<b>995</b>	<b>711</b>
<i>Receipts</i>				
Taxation .. .. .	7,244	7,939	822	695
Other receipts .. .. .	870	950	104	80
<b>Total receipts .. .. .</b>	<b>8,114</b>	<b>8,890</b>	<b>926</b>	<b>775</b>
<b>Deficit .. .. .</b>	<b>75</b>	<b>11</b>	<b>69</b>	<b>-64</b>

Comparison of increases in receipts and outlays in 1970-71 and 1971-72 is affected by a number of special factors, the effect of which is discussed in a later section. Before allowance is made for these factors the estimated increase in total outlay in 1971-72 is \$711 million, \$284 million less than the actual increase of \$995 million in 1970-71. In percentage terms the estimates imply an increase of 8.7 per cent this year, compared with an actual increase of 13.8 per cent in 1970-71. Total receipts are estimated to increase by \$775 million or 9.6 per cent in 1971-72 compared with an increase of \$926 million or 12.9 per cent in 1970-71.

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 and approximate adjustments are made to the estimates in order to indicate these effects more clearly. Other adjustments include those made to take account of the full-year effect of Budget measures, in order to provide an indication of the annual rates of change of the items affected.

(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;<sup>(1)</sup> 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:

	1970-71 Actual	1971-72 Estimate	Increase	
			1969-70 to 1970-71	1970-71 to 1971-72
	\$ million	\$ million	\$ million	\$ million
Total outlay .. .. .	8,190	8,900	995	711
Less—Overseas outlay .. .. .	521	589	1	68
Domestic outlay .. .. .	7,669	8,311	994	643

The table shows that the much smaller estimated increase in total outlay this year is attributable to the trend in the domestic component. Following a small increase of \$1 million in 1970-71, overseas outlays are estimated to increase by a further \$68 million in the current year.<sup>(2)</sup>

After deducting overseas outlay the estimated increase in domestic outlay is \$643 million compared with an actual increase of \$994 million in 1970-71. This represents an estimated increase of 8.4 per cent this year, compared with an actual increase of 14.9 per cent in 1970-71. The increase in Budget outlays within Australia is estimated to be considerably less in 1971-72 than in 1970-71, and is smaller than the concurrent increase in receipts. The implications of the domestic surplus for liquidity conditions are discussed in Statement No. 3.

*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, while the impact on demand of transfers and advances depends on their effects on the spending of the recipients.<sup>(3)</sup>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 1971-72 with the actual increase in 1970-71.

	Increase in Domestic Outlay			
	\$ million		Per cent	
	1969-70 to 1970-71	1970-71 to 1971-72	1969-70 to 1970-71	1970-71 to 1971-72
<b>Net expenditure on goods and services—</b>				
War and defence .. .. .	87	104	10.5	11.4
Other current expenditure .. .. .	119	128	16.9	15.7
Capital expenditure .. .. .	36	6	19.9	2.8
<b>Total .. .. .</b>	<b>243</b>	<b>237</b>	<b>14.3</b>	<b>12.2</b>
<b>Transfer payments and net advances—</b>				
to States .. .. .	439	116	19.2	4.3
Cash benefits to persons .. .. .	173	230	10.8	13.0
Post Office .. .. .	14	8	6.0	3.2
Other .. .. .	123	52	14.4	5.3
<b>Total .. .. .</b>	<b>750</b>	<b>405</b>	<b>15.1</b>	<b>7.1</b>
<b>Total domestic outlay .. .. .</b>	<b>994</b>	<b>643</b>	<b>14.9</b>	<b>8.4</b>

The estimated percentage increase in domestic expenditure on goods and services is less than in 1970-71. Moreover, some part of the estimated increase of 12.2 per cent results from the occurrence of an extra public service pay-day during 1971-72 and approximate adjustment to remove the effects of this factor would reduce the rate of increase to 10.1 per cent.<sup>(1)</sup> This is substantially lower than the increase of 14.3 per cent experienced in 1970-71 and, indeed, could carry some implication that the Commonwealth's domestic expenditure on goods and services in 1971-72 may expand at a rate somewhat lower than the rate of expansion of the total output of the economy. The actual out-turn in any year can, of course, be influenced by rises in wages and costs unforeseen at the time of the Budget, as was the case in 1970-71.

Precise estimates of the effect of the extra pay-day on the rates of increase for the main components of domestic expenditure are not available, but it is probable that, but for it, the rate of increase in expenditure on war and defence would be rather less than the 10.5 per cent increase in 1970-71. The estimated increase for other current expenditure would be reduced, perhaps to the vicinity of 13 per cent—substantially below the 1970-71 increase of 16.9 per cent. Estimated capital expenditure probably would not be very much changed by this adjustment; the very small increase of 2.8 per cent in this category shows a sharp drop compared with the preceding year when the increase was 19.9 per cent.

The percentage increase in domestic transfer payments and net advances expected in 1971-72 is less than half the percentage increase which occurred in 1970-71. However, the comparison is affected by certain special factors, particulars of which are given below. Adjustment of the figures to eliminate the effect of these factors results in an estimated increase of 10.5 per cent in 1971-72 compared with a rate of increase of 15.6 per cent in 1970-71.<sup>(2)</sup> As noted above, the impact of transfer payments and net advances 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 only 4.3 per cent in 1971-72 compared with 19.2 per cent in 1970-71. In this case, the comparison is affected by the

(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) Without the adjustment for the full-year effect of the cash benefit measures announced in March 1971, the rate of increase in 1970-71 would be 15.1 per cent. See discussion, page 10.



reduction in the financial assistance grants in 1971-72 arising out of the transfer of pay-roll tax to the States. After adjustment to remove the effect of this factor, the increase in payments to the States is estimated to be 13.8 per cent in 1971-72—a relatively high rate of increase, although still well below the rate in 1970-71. These payments go to finance the expenditures of the States and their authorities, which are predominantly expenditures on goods and services. (The analysis here is, of course, concerned with the effects of increases in Commonwealth Budget outlay. But it is also relevant to note that, when the adjusted movements in payments to the States are considered together with announced increases in State taxes and charges, a substantial increase in State expenditures is again in prospect.)

Cash benefits to persons are estimated to increase by 13.0 per cent in 1971-72 compared with 10.8 per cent in 1970-71. For the purpose of judging the influence of such payments on rates of income or expenditure within a year, these increases should also be adjusted—first, to remove the effects of variations in the incidence of pay-days, and secondly, to allow for the 'full-year' effects of changes in the rates of benefit.<sup>(1)</sup> The adjusted rate of increase in outlay on cash benefits in 1970-71 is 11.0 per cent before account is taken of the full-year effect of the measures introduced in March 1971, and 12.3 per cent after adjusting for the full-year effect of those measures.<sup>(2)</sup> The latter percentage indicates the increase in the annual rate of outlay which had been attained in the later part of 1970-71. The adjusted annual rate of increase in outlay on cash benefits resulting from the 1971-72 Budget is 9.3 per cent, or rather lower than the rate of expansion attained in 1970-71. Cash benefit payments would largely be spent by the recipients on goods and services.

Although the advance to the Post Office is estimated to increase by a smaller amount in the current year than in 1970-71, the prospective increase in internal resources associated with the increased charges for postal and telephone services will make possible an increase in its capital expenditure on goods and services higher than in the year before.<sup>(3)</sup>

It is not uncommon for the net increase in other transfer payments and net advances to vary considerably from year to year, and the estimated increase of \$52 million in this category in 1971-72 follows an exceptionally large increase of \$123 million in 1970-71. The 1970-71 figure included substantial payments in respect of a number of items for which there had been no corresponding expenditure in 1969-70 (e.g. the initial advances to the Australian Wool Commission and the Australian Industry Development Corporation); these items show reductions in 1971-72. The net increase in 1971-72 is due largely to the estimated \$60 million deficiency payment for wool, which is partly offset by the net movements in other items. There is no ready way of assessing the extent to which the increase in other transfer payments and net advances is likely to influence spending on goods and services by the recipients.

When these various adjustments are made to total domestic outlay, an estimated increase of 10.4 per cent is shown in 1971-72 compared with the adjusted rate of increase of 15.2 per cent reached in 1970-71.<sup>(4)</sup>

The reduced rate of expansion of all major categories of domestic outlay in 1971-72 is the most striking feature to emerge from the comparison of the adjusted estimates of the rates of increase in the two years. It has to be borne in mind, of course, that the extent to which increases in some of the categories of outlay would be reflected in increased expenditure on goods and services is somewhat uncertain. Nevertheless, it is clear that the expected increase in domestic outlay in the 1971-72 Budget would add directly and indirectly to demand for goods and services at a significantly lower rate than did the increase in domestic outlay experienced in the preceding year. In other words the outlay side of this Budget is considerably less expansionary than was the case, in the event, last year.

It is true that 1970-71 was a year in which Commonwealth domestic outlay, as it turned out, expanded at a rate substantially above the rate of growth of total output of goods and services in the economy. It was, moreover, a year which saw a substantially higher rate of increase in the general price level than we have been accustomed to in this country. To

<sup>(1)</sup> 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.

<sup>(2)</sup> Certain additional measures which were announced after March but did not operate until 1 July 1971, do not affect the annual rate of increase in 1970-71.

<sup>(3)</sup> 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.

<sup>(4)</sup> Without the adjustment for the full-year effect of the cash benefit measures announced in March 1971, the rate of increase in 1970-71 would be 14.9 per cent.



some extent these circumstances make it more difficult to assess the initial impact of the outlay side of the 1971-72 Budget, on the basis of a comparison with the preceding year. But it is clear that the restraint in the growth of Commonwealth domestic outlays in the 1971-72 Budget would leave room for further growth in the demand arising from other sources.

### *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 expected increases.<sup>(1)</sup> Both classes of movements in receipts will, of course, be reflected in the expected overall Budget outcome. However, it is the second class which reflects specific Budget measures relating to receipts, and which can be regarded as arising independently of evolving trends in the economy.<sup>(2)</sup>

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 1971-72 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 which is relevant to this analysis is the changes in taxation rates for which provision has been made this year.

The changes in personal income tax rates are expected to add a net \$81 million in a full year. The consequent reduction of disposable incomes can be expected to exercise a moderating effect on the expansion of personal expenditure. However, there are expected to be lags between the reduction of disposable incomes and the changes in spending it induces; thus in the short-term some of the additional tax could operate to reduce the rate of saving and, possibly, part of this reduction in saving would continue in the longer-term. There will also be lags before the disposable income of persons subject to provisional tax reflects the effects of the new tax provisions. Nevertheless a significant part of the increase in income tax can be expected to operate to restrain the expansion of personal expenditure in the year ahead.

<sup>(1)</sup> This is not to say that such a rise in receipts would be of no importance. For instance, when incomes are rising, an increase in receipts arising out of the operation of existing taxation provisions would transfer resources from the private to the public sector, thus exerting a moderating (but not completely offsetting) influence on trends in the economy by retarding the growth of private expenditure. However, expectations regarding trends in incomes and spending which (in the absence of policy action to alter trends) would evolve in the coming year should already take account of the expected moderating influence of automatic increases in receipts.

<sup>(2)</sup> 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 1971-72 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 larger budget deficit would emerge (although the extent of the increase in the 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, then, especially with a progressive tax-rate structure, the increase in receipts could be expected to exert a stabilising effect in that increases in disposable income would be that much less. But it would be misleading to say that, because of that increase in receipts, the Budget had exercised a more-restraining influence than originally envisaged.



The changes in excise and customs duty, which are estimated to add \$87 million to revenues in a full year, can be expected to have a near commensurate effect on purchasing power, in consequence of their direct influence on the prices of the particular commodities affected. In the past it has normally been expected that changes in indirect taxes of these sorts would be quick to influence the trend in demand. However, in view of apparent time-lags between changes in incomes and consequent changes in spending which have been observed in recent times, the analysis of the effect of these tax changes on demand becomes somewhat more difficult. But it would still seem reasonably certain that most of the increase in revenue from this source would operate to restrain the expansion of demand during the coming year.

Increases in broadcasting and television licence fees are expected to yield about \$15 million in a full year. The timing of these additional charges will, of course, vary according to the time at which individual licences are taken out but generally their effect on demand can be expected to be similar to the effect of increases in excise and customs duty.

The changes in company tax, estimated to yield \$26 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 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 complex.

In summary, the changes in taxation rates and licence fees will lead to an increase in revenue at an annual rate of \$209 million. The influence of the increased revenue on the trend in demand can be expected to be somewhat indirect, and the operation of some of the effects may be relatively slow. But even when allowance is made for these factors, it can be expected that in the aggregate the tax changes will exercise a considerable restraining influence on the expansion of demand during the year ahead.

#### *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 an automatic result of evolving trends in the economy. From this standpoint, the following aspects are therefore relevant to a consideration of the 1971-72 Budget:

- (a) Domestic outlays, when adjusted to take account of certain special factors, (including the full-year effect of the cash benefit measures introduced in March 1971) are estimated to increase by 10.4 per cent in 1971-72, compared with 15.2 per cent in 1970-71. After the adjustments lower rates of increase are expected in all major categories of outlay.
- (b) Although the precise extent to which increases in some categories of domestic outlay would be reflected in additional demand for goods and services is uncertain, it is clear that the outlay side of the 1971-72 Budget is considerably less expansionary than was Commonwealth domestic outlay, in the event, in 1970-71.
- (c) The restraint in growth of Commonwealth domestic outlays would leave room for considerable further growth in the demand arising from other sources.
- (d) The new revenue measures will have a restraining influence on the growth of demand in the private sector.

It is, of course, important to remember that this analysis has been restricted to assessing the effects of *Budget outlays and receipts*. Although these will have an important influence on trends in the economy in the year ahead, the likely economic effects of a Budget can only be fully assessed in the context of all the more important influences operating at the time in the economy as a whole.



RECEIPTS AND OUTLAY OF COMMONWEALTH BUDGET

	1969-70	1970-71	1971-72 Estimate
	\$ million	\$ million	\$ million
<b>Outlay—</b>			
<b>Net expenditure on goods and services—</b>			
<b>Current expenditure—</b>			
War and defence .. .. .	1,017	1,068	1,180
Repatriation .. .. .	84	93	108
Development of resources and assistance to industry .. .. .	156	177	199
Civil aviation .. .. .	38	43	49
Immigration .. .. .	59	60	55
Law, order and public safety .. .. .	15	19	23
Education .. .. .	41	57	66
Public health and welfare .. .. .	64	78	94
Foreign affairs .. .. .	31	35	41
All other(a) .. .. .	307	347	401
<b>Capital expenditure(b)—</b>			
Public enterprises—			
Houses and flats .. .. .	6	9	227
Other .. .. .	27	23	
Public authorities—			
Transport .. .. .	63	76	227
Other .. .. .	89	115	
<b>Total net expenditure on goods and services .. .. .</b>	<b>1,998</b>	<b>2,200</b>	<b>2,443</b>
<b>Transfer payments—</b>			
Cash benefits to persons .. .. .	1,598	1,771	2,001
Grants to States .. .. .	1,620	(c)2,207	(c)2,281
Interest paid .. .. .	546	576	600
Overseas grants and contributions .. .. .	180	185	197
Subsidies(d) .. .. .	247	309	347
Grants for private capital purposes .. .. .	33	35	36
<b>Total transfer payments .. .. .</b>	<b>4,223</b>	<b>5,083</b>	<b>5,462</b>
<b>Total expenditure .. .. .</b>	<b>6,221</b>	<b>7,283</b>	<b>7,905</b>
<b>Net advances—</b>			
to States—			
Works purposes .. .. .	518	(c) 366	(c)511
Housing .. .. .	118	126	
Other .. .. .	31	27	50
to Commonwealth authorities—			
Post Office .. .. .	233	247	255
S.M.H.E.A. .. .. .	33	27	16
Airlines .. .. .	-16	20	62
Other .. .. .	21	46	47
to Other Sectors—			
by War Service Homes .. .. .	11	17	16
Other .. .. .	25	30	39
<b>Total net advances .. .. .</b>	<b>974</b>	<b>907</b>	<b>995</b>
<b>Total Outlay .. .. .</b>	<b>7,195</b>	<b>8,190</b>	<b>8,900</b>
<b>Receipts—</b>			
<b>Taxation—</b>			
Indirect taxes(d) .. .. .	2,244	2,301	2,580
Income taxes on companies .. .. .	1,197	1,444	1,566
Income taxes on persons—			
P.A.Y.E. .. .. .	2,084	2,432	2,859
Other .. .. .	771	743	800
Estate and gift duties .. .. .	80	78	86
Other direct taxes, fees, fines, etc.(e) .. .. .	46	47	48
<b>Total taxation .. .. .</b>	<b>6,422</b>	<b>7,244</b>	<b>7,939</b>
<b>Other receipts—</b>			
Interest, rent and dividends .. .. .	711	800	877
Gross income of public enterprises .. .. .	52	60	64
Net sales of existing assets(f) .. .. .	3	10	9
<b>Total other receipts .. .. .</b>	<b>766</b>	<b>870</b>	<b>950</b>
<b>Total Receipts .. .. .</b>	<b>7,188</b>	<b>8,114</b>	<b>8,890</b>
<b>Deficit .. .. .</b>	<b>7</b>	<b>75</b>	<b>11</b>

(a) Includes current expenditure of the Australian Broadcasting Commission. In previous tables in this series the Commission was treated as a public enterprise.

(b) Consisting of fixed capital expenditure on new assets plus increase in stocks less sales of previously rented houses.

(c) An interest-free capital grant of \$200 million in 1970-71 and \$209.8 million in 1971-72 under the works programme is included in 'Grants to States'.

(d) Following the transfer of the pay-roll tax to the States, the export incentive scheme will operate in respect of 1971-72 exports through direct payments from the Commonwealth, not by way of rebates of pay-roll tax. To facilitate year to year comparisons, previously published figures for 'Indirect taxes' have been adjusted to include pay-roll tax collections on a gross basis. 'Subsidies' have been adjusted by corresponding amounts to include rebates of pay-roll tax under the export incentive scheme.

(e) Includes broadcasting and television licence fees paid by private persons. Broadcasting and television licence fees paid by producers are included in 'Indirect taxes'.

(f) Excludes sales of previously rented houses. See footnote (b) above.



**STATEMENT No. 3—THE BUDGET AND MONETARY CONDITIONS****GENERAL**

The economic impact of the Budget is not restricted to its direct influence on expenditure and income which was discussed in Statement No. 2. The Budget can also have significant effects on economic activity through its influence on monetary conditions.

The monetary effects of the Budget can usefully be divided into two broad components. First, there is the direct impact of budget receipts and outlays on liquidity and the money supply. This can be measured by the budget domestic surplus or deficit—that is, the excess or shortfall of receipts in Australia over outlays in Australia. A domestic surplus, other things being equal, involves a withdrawal from the volume of money of an equivalent amount; a domestic deficit adds an equivalent amount to the volume of money. The Budget's monetary impact, however, is not restricted to the size of the domestic surplus or deficit but, secondly, depends importantly on the monetary effects deriving from the Commonwealth's domestic financing transactions.

The Commonwealth's financing transactions—together with Reserve Bank open market operations—have a major impact on the volume and composition of financial assets in the economy and may have a significant influence on the cost and availability of funds through direct and indirect effects on interest rates and the value of financial assets. Measurement of the monetary effects of financing transactions must take into account not only the movements in total holdings of Commonwealth securities which may occur over a period but also the types and maturities of those securities and the classes of institutions or persons holding them. In particular, it is important to distinguish between changes in holdings of government securities by the banking system and by the non-bank private sector. An increase in the holdings of Commonwealth securities by the latter group operates to reduce the volume of money while a reduction in these holdings has the opposite effect. An increase in the holdings of the banking system does not in the same way directly affect the volume of money nor the total—as distinct from the components—of the L.G.S. assets which constitute the general banking system's liquidity base.

Changes in holdings of government securities by particular groups are not, of course, solely the result of the Budget. These changes may be affected by the market operations in government securities of the Reserve Bank and by all of the other factors affecting monetary and liquidity conditions generally.

The stance of monetary policy, especially in regard to official interest rates and controls on the banking system, will have a particularly important influence on monetary and financial conditions. Other important factors influencing such conditions include changes in Australia's gold and foreign exchange holdings resulting from the private sector's international trading and borrowing; Reserve Bank transactions with the private sector such as Rural Credits Department advances; and the activities of financial intermediaries, particularly the lending activities of the general banking system. All these various influences are significantly inter-related and the effects of the Commonwealth's transactions on monetary conditions cannot be considered in isolation.<sup>(1)</sup>

<sup>(1)</sup> A detailed analysis of the monetary effects of the Budget is contained in the "Supplement to the Treasury Information Bulletin 'National Accounting Estimates of Public Authority Receipts and Expenditure' August 1967".



THE FINANCIAL YEAR 1970-71

The analysis of the influence of the Commonwealth's transactions and other factors on monetary conditions can most conveniently be framed in terms of a money "formation table". The following table provides such an analysis for 1970-71 and the two preceding years.

LIQUIDITY AND THE VOLUME OF MONEY—ANALYSIS OF FORMATION FACTORS  
MOVEMENTS  
\$ million

Last Day Basis	1968-69	1969-70	1970-71 (Preliminary)
Reserve Bank Holdings of Gold and Foreign Exchange	185	135	798
Commonwealth Government Overseas Transactions (net) (a)	-( -341)	-( -553)	-( -495)
Balance of Payments Position of Private Sector(b)	526	688	1 293
Budget Domestic Surplus	-200	-522	-458
Commonwealth Advances to Australian Wheat Board	..	184	-65
Reserve Bank Rural Credits Advances	251	-122	-50
S.R.D. Accounts of All Trading Banks	-( +109)	-( +109)	-( -57)
Miscellaneous Factors	36	61	-54
Private Sector Primary Liquidity(c)	504	180	723
Less Holdings of Commonwealth Securities by Non- Bank Private Sector	163	116	277
Banking Sector Primary Liquidity(d)	341	64	446
Average of Weekly Figures Basis			
Banking Sector Primary Liquidity(d)	391	71	378
Loans and Advances—			
All Trading Banks	361	519	415
Savings Banks	246	227	277
Banks' Miscellaneous Accounts	171	46	-56
Volume of Money	1,169	863	1,014

(a) This item consists of Commonwealth overseas outlays less overseas receipts (defined appropriately for an assessment of the domestic monetary implications) adjusted for net overseas loan raisings, the overseas components of the Commonwealth's other financing transactions and the allocation of Special Drawing Rights and the movement in the I.M.F. gold tranche position.

(b) This item reflects the movement in gold and foreign exchange, excluding movements as a result of overseas transactions of the Commonwealth Government. It is derived from the two preceding items in the table.

(c) 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), and notes, coin and Commonwealth securities held by non-bank private sector.

(d) Defined as banks' holdings of L.G.S. assets and notes and coin in the hands of the public

As the table shows, the Commonwealth Budget domestic surplus withdrew about \$460 million from the volume of money for the year 1970-71 as a whole. While this was less than originally provided for and smaller than in 1969-70, it was nevertheless substantially greater than in other recent years. There was also in the last financial year a relatively large increase of about \$277 million in the holdings of Commonwealth securities by the non-bank private sector which added to the contractionary monetary effects of the Commonwealth's transactions.



Thus, the Budget and the Commonwealth's financing transactions—combined with the continued generally restrictive stance of monetary policy—were significant factors contributing to the relatively tight financial conditions which prevailed for most of 1970-71. Financial conditions, however, would have been substantially tighter but for the strongly expansionary monetary effects of the very substantial private sector balance of payments surplus.

The net result of the various factors influencing monetary aggregates in 1970-71 was that the volume of money increased by about 6.8 per cent compared with 6.2 per cent in the preceding year. As indicated below these were both modest increases by comparison with earlier years.

*Percentage Increases in the Volume of Money*

						Per cent
1966-67	..	..	..	..	..	8.1
1967-68	..	..	..	..	..	8.3
1968-69	..	..	..	..	..	9.1
1969-70	..	..	..	..	..	6.2
1970-71	..	..	..	..	..	6.8

While the foregoing summarises the full-year monetary effects of the Commonwealth's budgetary and financing transactions, the seasonality in such transactions means that these effects can vary markedly during the year.

During the first half of 1970-71 the Budget domestic deficit—about \$900 million—combined with the balance of payments surplus of the private sector added substantially to liquidity. The relatively strong demand for government securities—notably short-term debt—by the non-bank private sector was, however, an important restraining influence on monetary conditions and particularly on the growth in bank liquidity. The tight liquidity positions of trading banks were a major restraint on their lending activity in this period. Between June and December 1970 the volume of money increased by 5.8 per cent compared with 6.9 per cent in the corresponding period of the previous year.

In the second half of 1970-71, when the strong seasonal contractionary forces were operating, the volume of money increased by 1.0 per cent compared with a fall of 0.7 per cent in 1969-70. Although during the second half of the year the Budget domestic surplus withdrew about \$1,350 million from the money supply, at the same time a strong inflow of private overseas capital operated to ease monetary conditions. In addition, the private sector—probably influenced by the severe financial stringency of the June quarter of 1970—had sought to make adequate preparation for the seasonal contraction, and during the liquidity upswing in the first half of the year had invested substantially in short-term financial assets, particularly government securities, which would mature in the period of seasonal financial tightening. In the event, there was a stronger demand by the non-bank private sector for longer-term Commonwealth debt in the closing months of the financial year. The somewhat easier than expected monetary conditions and an apparent increased confidence in Commonwealth security yields may have been significant factors explaining this demand.



Details of changes in holdings of Commonwealth debt in 1970-71 and in the two preceding years are shown in the following table.

	1968-69	1969-70	1970-71 (Preliminary)
	\$m.	\$m.	\$m.
Reserve Bank(a) .. ..	-194	324	-437
All Trading Banks .. ..	172	-88	128
Savings Banks .. ..	27	-56	106
<b>Total—Banking System ..</b>	<b>5</b>	<b>180</b>	<b>-204</b>
Non-Bank Private Sector .. ..	163	116	277
Other(b) .. ..	18	-19	-9
<b>Total(b) .. ..</b>	<b>186</b>	<b>276</b>	<b>65</b>

(a) Allows for movement in Commonwealth Government deposits with Reserve Bank.  
 (b) Includes changes in holdings of Commonwealth Government trust funds. Excludes subscriptions to special loans, cancellation of securities out of Loan Consolidation and Investment Reserve and changes in Internal Treasury Bills.

### PROSPECTS FOR 1971-72

There are many uncertainties in the way of predicting the course of monetary conditions over the year ahead. It is clear, however, that the Commonwealth's budgetary and financing transactions will have a very important influence on those conditions.

It is estimated that the Budget domestic surplus for 1971-72 as a whole will be of the order of \$630 million. This is about \$170 million greater than in 1970-71 and will have a significant moderating effect on the growth of liquidity and the volume of money over the year.

The monetary impact of the Budget within the year will again be influenced by the seasonality in budgetary transactions. The temporary domestic deficit in the first half of the year is likely to provide a substantial addition to liquidity. This applies particularly in the early months of the financial year as a result of a high level of P.A.Y.E. refunds associated with the income tax adjustments in last year's Budget and various timing factors. The expansionary effects of this temporary deficit will depend significantly on how this deficit is financed and particularly the extent to which the non-bank private sector increases its holdings of Commonwealth securities. It might be expected that the demand for Commonwealth securities could be relatively strong.

In the second half of the year—with the collection of company income taxation and provisional income taxation on individuals—the large Budget domestic surplus will withdraw a substantial volume of funds from the private sector.

Monetary conditions during 1971-72, however, will certainly not depend solely on the Commonwealth's transactions. The factors influencing the development of monetary conditions in 1970-71 are also likely to play an important role in the current financial year. International private capital flows could again be a significant element. Changes in the rate of such flows, both in the seasonal liquidity upswing and the subsequent downswing may accentuate or offset monetary movements emanating from the Commonwealth's transactions or from other factors. The general stance of monetary policy will also, of course, have an important influence on financial conditions.



## FINANCING TRANSACTIONS

The following table summarises the budget financing transactions in 1970-71. Explanatory comments on these transactions are given in Statement No. 6.

	\$m.	\$m.
Overseas—		
Net drawings under credit arrangements—		
Defence purchases in United States of America .. ..		
Qantas and Australian National Airlines Commission .. ..	20	
Net proceeds of other overseas borrowings .. ..	72	
		46
Funds provided for International Monetary Fund .. ..		37
Australia—		
Net proceeds of loans raised in Australia(a) .. ..	205	
Net change in Treasury Notes on issue .. ..	18	
		222
Net Repayment from Australian Wheat Board .. ..		65
Other financing transactions (net)(b) .. ..		27
Use of cash balances(c) .. ..		157
		75

(a) Includes State domestic loan raisings.

(b) 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.

(c) The negative sign indicates an increase in cash balances.

It is estimated that Commonwealth expenditures will slightly exceed Commonwealth receipts in 1971-72.

In regard to financing transactions prospects for 1971-72, drawings under the credit arrangements for the purchase of defence equipment in the United States of America are estimated to be \$63 million while repayments are estimated to be \$67 million. Drawings on overseas loans to finance advances to Qantas Airways Limited and the Australian National Airlines Commission are estimated at \$97 million, while repayments of previous loans for the airlines will be approximately \$34 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 financing. Maturities falling due and other payments to reduce indebtedness overseas are likely to amount to about \$113 million in 1971-72 compared with \$87 million in 1970-71.

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 1971-72 held in non-official hands at 30 June 1971 is estimated at \$722 million (including Special Bonds \$53 million), compared with \$844 million (including Special Bonds \$69 million) of securities in non-official hands which matured in 1970-71, but it is difficult to estimate the extent to which these securities will be redeemed rather than converted. It is also not possible to predict accurately 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, as discussed earlier, will reflect monetary and other developments during the course of the year.

*Loan Bill.* Because of the difficulty of estimating expenditures and receipts and 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, if necessary, authority will be sought in a Loan Bill to borrow for defence purposes such amounts as are required to complete the Commonwealth's financing transactions.



STATEMENT No. 4—ESTIMATES OF EXPENDITURES, 1971-72

In 1971-72, it is estimated that Commonwealth expenditures will increase by \$727,735,000, or 9.0 per cent, to \$8,833,268,000.

Year-to-year comparisons have been affected by accounting changes and other factors, including the occurrence in 1971-72 of an extra public service and pensions pay day. The effect of the extra pay day is to increase estimated expenditures by about \$80,000,000. By far the largest effect, however, results from the new pay-roll tax and financial assistance grants arrangements with the States (see Statement No. 7, Notes on Tables). After adjustment to remove the effect of the pay-roll tax arrangements, it is estimated that expenditures in 1971-72 would increase by \$986,735,000 or 12.2 per cent, compared with the increase of \$984,088,000 or 13.8 per cent in 1970-71.

The estimates for 1971-72 are compared in summary form with actual expenditures in 1969-70 and 1970-71 in the following table.

Item No.		1969-70 Actual(a)	1970-71 Actual(a)	1971-72 Estimate	+ Increase - Decrease on 1970-71
		\$'000	\$'000	\$'000	\$'000
1	Defence Services .. .. .	1,100,618	1,134,983	1,252,383	+ 117,400
2	Payments to or for the States and Works and Housing Programmes ..	2,416,615	2,843,321	(b)2,930,833	+ 87,511
3	National Welfare Fund .. .. .	1,341,799	1,477,238	1,694,253	+ 217,015
4	Repatriation Services .. .. .	296,704	315,165	355,410	+ 40,245
5	Debt Charges .. .. .	108,767	107,786	101,649	- 6,137
6	Departmental Running Expenses ..	468,604	544,010	627,856	+ 83,846
7	Territories (excluding Papua New Guinea) .. .. .	83,972	99,857	114,116	+ 14,258
8	External Economic Aid (including Papua New Guinea) .. .. .	153,308	163,069	172,060	+ 8,991
9	Commonwealth Payments to Industry	224,422	316,677	371,236	+ 54,558
10	Other Expenditures .. .. .	367,724	414,977	456,213	+ 41,236
11	Advances for Capital Purposes ..	365,273	448,492	495,474	+ 46,982
12	Other Capital Works and Services ..	193,641	239,957	261,786	+ 21,830
	Total Expenditures .. .. .	7,121,445	8,105,533	(b)8,833,268	+ 727,735

(a) Some figures for 1969-70 and 1970-71 have been adjusted for accounting changes to place them on a basis comparable with the estimates for 1971-72.

(b) Assumes the transfer of payroll tax to the States as from 1 September 1971. See Item No. 2—Commonwealth Payments to or for the States and Works and Housing Programmes.

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



## ITEM NO. 1—DEFENCE SERVICES

	1969-70 Actual(a)	1970-71 Actual(a)	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>Defence—</b>				
Civil Salaries .. .. .	6,568	8,196	10,073	+ 1,877
Administrative Expenses and General Services .. .. .	2,763	3,256	4,090	+ 834
Recruiting Campaign .. .. .	1,775	1,826	1,786	- 39
Defence Aid for Malaysia .. .. .	6,520	3,540	3,720	+ 180
Defence Aid for South Vietnam .. .. .	..	2,207	3,500	+ 1,293
Defence Aid for Singapore .. .. .	1,683	1,453	540	- 913
Accommodation and Technical Facilities .. .. .	3,825	991	991	..
Other .. .. .	306	611	348	- 264
<b>Total .. .. .</b>	<b>23,440</b>	<b>22,080</b>	<b>25,048</b>	<b>+ 2,968</b>
<b>Navy—</b>				
Service Pay .. .. .	60,177	71,624	76,609	+ 4,985
Civil Salaries .. .. .	36,370	42,244	49,480	+ 7,236
Administrative Expenses and General Services .. .. .	14,478	15,438	17,189	+ 1,751
Naval Construction .. .. .	33,131	10,381	18,635	+ 8,254
Aircraft Purchase and Manufacture .. .. .	4,114	11,812	10,632	- 1,180
Ships and Aircraft—Repairs and Maintenance .. .. .	15,695	15,716	19,659	+ 3,943
General Stores .. .. .	55,492	57,541	64,756	+ 7,215
Accommodation and Technical Facilities .. .. .	19,644	21,438	23,931	+ 2,493
Other .. .. .	2,038	1,730	1,850	+ 120
<b>Total .. .. .</b>	<b>241,140</b>	<b>247,924</b>	<b>282,741</b>	<b>+ 34,817</b>
<b>Army—</b>				
Service Pay .. .. .	168,324	187,314	208,606	+ 21,292
Civil Salaries .. .. .	36,234	42,556	50,314	+ 7,758
Administrative Expenses and General Services .. .. .	41,022	40,497	43,202	+ 2,705
Forces Overseas (Other than Pay) .. .. .	23,823	20,885	20,263	- 622
Arms, Armament and Equipment .. .. .	102,056	88,510	109,553	+ 21,043
Arms, Armament—Repairs and Maintenance .. .. .	6,557	6,919	7,595	+ 676
Accommodation and Technical Facilities .. .. .	31,370	34,356	37,681	+ 3,325
<b>Total .. .. .</b>	<b>409,386</b>	<b>421,037</b>	<b>477,214</b>	<b>+ 56,177</b>
<b>Air—</b>				
Service Pay .. .. .	88,085	99,876	115,300	+ 15,424
Civil Salaries .. .. .	14,266	16,079	18,576	+ 2,497
Administrative Expenses and General Services .. .. .	21,025	21,798	22,159	+ 361
Forces Overseas (Other than Pay) .. .. .	19,211	22,477	12,063	- 10,414
Aircraft Purchase, Manufacture and Lease .. .. .	55,066	38,746	38,245	- 501
Equipment and Stores .. .. .	66,183	63,254	66,123	+ 2,869
Aircraft and Other Equipment—Repairs and Maintenance .. .. .	11,323	11,162	12,200	+ 1,039
Accommodation and Technical Facilities .. .. .	26,003	29,266	31,477	+ 2,211
<b>Total .. .. .</b>	<b>301,162</b>	<b>302,657</b>	<b>316,143</b>	<b>+ 13,486</b>
<b>Supply—</b>				
Civil Salaries .. .. .	10,814	13,094	15,575	+ 2,481
Administrative and Operational Expenses .. .. .	2,822	2,733	3,046	+ 313
<b>Defence Research and Development Establishments—</b>				
Civil Salaries .. .. .	26,265	28,945	31,886	+ 2,941
Administrative and Operational Expenses .. .. .	15,423	14,448	13,023	- 1,425
Furniture Removals, Vehicles and Storage .. .. .	10,535	11,016	11,738	+ 722
Government Factories—Maintenance of Production Capacity, etc. .. .. .	3,935	5,814	7,203	+ 1,389
Production Development and Assistance .. .. .	2,997	6,872	8,099	+ 1,227
Machinery and Plant .. .. .	9,706	9,007	8,654	- 353
Accommodation and Technical Facilities .. .. .	10,418	12,629	10,609	- 2,020
Reserve Stocks .. .. .	1,177	1,453	610	- 843
<b>Total (b) .. .. .</b>	<b>94,091</b>	<b>106,011</b>	<b>110,443</b>	<b>+ 4,432</b>
<b>General Services—</b>				
Government Contribution to D.F.R.B. Fund .. .. .	14,974	16,890	20,550	+ 3,660
Interest on Credit Purchases .. .. .	13,076	13,971	15,700	+ 1,729
Other .. .. .	3,349	4,413	4,544	+ 131
<b>Total .. .. .</b>	<b>31,399</b>	<b>35,274</b>	<b>40,794</b>	<b>+ 5,520</b>
<b>Total Defence Services(c) .. .. .</b>	<b>1,100,618</b>	<b>1,134,983</b>	<b>1,252,383</b>	<b>+ 117,400</b>

(a) Some of the figures for 1969-70 and 1970-71 have been adjusted for accounting changes to place them on a basis comparable with the 1971-72 estimates.

(b) Expenditure on Antarctic Division is now included in Items Nos. 6 and 12, Departmental Running Expenses and Other Capital Works and Services.

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



Total expenditure on Defence Services is expected to increase in 1971-72 by \$117,400,000 or 10.3 per cent. This includes an increase of \$66,491,000 for pay and salaries. Of this, \$29,700,000 is the estimated cost of adoption of the Kerr Committee recommendations for new pay rates for other rank members of the Forces. The remainder of \$36,791,000 reflects the additional pay day this year, the cost of awards and determinations made in 1970-71, and expected changes in the strengths of the Forces and of civilian staffs of departments in the Defence Group. Other increases in estimated expenditure include \$8,254,000 for Naval construction, \$10,084,000 for increased stores for the R.A.N. and R.A.A.F., \$21,043,000 for arms, armament and equipment for the Army and \$6,009,000 for accommodation and technical facilities. Expenditure on Forces Overseas (Other than Pay) by the Army and the R.A.A.F. is expected to show a net decrease of \$11,036,000.

#### *Defence*

Salaries are estimated to increase by \$1,877,000, mainly as a result of an additional pay day in 1971-72 and the full year effect of Public Service salary increases awarded in 1970-71. The estimate for Defence Aid is \$7,760,000 compared with expenditure of \$7,200,000 in 1970-71. The increase of \$560,000 is attributable to increases of \$1,293,000 and \$180,000, respectively, in defence aid to South Vietnam and Malaysia, offset by a decrease of \$913,000 in defence aid to Singapore.

#### *Navy*

Expenditure on pay and salaries is estimated to increase by \$12,221,000, the main contributing factors being the proposed pay increases recommended by the Kerr Committee, the additional pay day and the full year effect of arbitration and other determinations made in 1970-71. Expenditure on Naval construction is expected to increase by \$8,254,000 and an increased programme for the repair and maintenance of ships and aircraft is estimated to cost an additional \$3,943,000. Expenditure on general stores is expected to rise by \$7,215,000. This reflects mainly increased costs of more sophisticated equipment and prospective deliveries arising from previously approved programmes. However, there is an estimated reduction of \$1,180,000 in the cost of aircraft purchases, which in 1970-71 included a large non-recurring payment on Skyhawk aircraft.

#### *Army*

Expenditure on pay and salaries is estimated to increase by \$29,050,000 mainly as a result of increases flowing from the Kerr Committee recommendations, the extra pay day, and arbitration and other pay determinations in 1970-71. The increase of \$21,043,000 to \$109,553,000 for the purchase of arms, armament and equipment reflects expected deliveries flowing from programmes approved in earlier years. An increase of \$3,325,000 is expected in the provision of accommodation and technical facilities.

Provision has been made for \$5,363,000 of the expected expenditure in 1971-72 to be paid to a Trust Account to finance Australia's share of common-user logistic support for the ANZUK force in Singapore. Expenditure on the maintenance of forces overseas (other than pay) shows an estimated decrease of \$622,000.

#### *Air*

Estimated increases in expenditure include \$17,921,000 for pay and salaries, \$2,869,000 for expenditure on equipment and stores, \$1,039,000 for repairs and maintenance to aircraft and other equipment and \$2,211,000 for accommodation and technical facilities. The expected increase in pay and salaries reflects similar factors as apply to the other Services. Expenditure on equipment and stores is expected to increase because of a proposed increase in authorisations in 1971-72 on approved equipment programmes and increased payments on some specialised armament and communication equipment. The expected decrease of \$10,414,000 in expenditure on the maintenance of forces overseas results largely from the withdrawal of the Canberra squadron and part of the Caribou squadron from South Vietnam in June 1971.

#### *Supply*

Increased expenditure in 1971-72 by the Department of Supply on civil salaries is estimated at \$5,422,000. This reflects the extra pay day in 1971-72 and the full year effect of pay increases awarded in 1970-71. Maintenance of production capacity in, and working capital advances for, Government factories are expected to increase by a net \$1,389,000. Estimated expenditure on production development and assistance is expected to be \$1,227,000 greater. Provision of \$1,086,000 has been made for Project N, the fixed-wing light aircraft project, and \$1,653,000 for the light helicopter project. The estimated increase of \$722,000 in furniture removals, vehicles and storage is mainly attributable to increased purchases of motor vehicles that are proposed to replace vehicles which have reached the end of their economic life. These increases are partly offset by estimated decreases of \$2,020,000 in expenditure on accommodation and technical facilities and \$843,000 on stockpiling of production reserve stocks.

#### *General Services*

The estimated increase of \$3,660,000 in the Government's contribution to the Defence Forces Retirement Benefits Fund reflects in the main the increased benefits announced in the Budget. Interest payments on loans raised in the United States of America to finance the purchase of defence equipment are estimated to increase by \$1,729,000 in 1971-72.



70 *Appropriation Bill (No. 1)* REPRESENTATIVES *Appropriation Bill (No. 1)*

*Defence Expenditure Overseas*

Defence expenditure overseas is estimated to be \$205,000,000 in 1971-72 or \$7,000,000 more than in 1970-71.

During 1970-71 payments overseas continued on current aircraft projects such as Tracker and Skyhawk for the R.A.N. and the F111-C, Mirage and Macchi for the R.A.A.F., on other capital items including the Oberon class submarines, and on maintenance of forces overseas. The foregoing figures do not include defence expenditure in Papua New Guinea or defence aid for Malaysia, 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.

	1969-70 Actual	1970-71 Actual	1971-72 Estimate
	\$'000	\$'000	\$'000
Navy .. .. .	15,807	24,773	21,660
Army .. .. .	9,781	12,310	12,133
Air .. .. .	20,798	19,198	28,723
Supply .. .. .	529	572	805
	46,915	56,853	63,321

Repayments of principal under these loans amount to \$3,167,488 in 1970-71 and are estimated to amount to \$66,800,000 in 1971-72.



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

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>General Revenue Payments—</b>				
Financial Assistance Grants .. .. .	1,141,719	1,418,918	1,412,500	- 6,018
Special Grants .. .. .	21,900	18,680	14,800	- 3,880
Special Revenue Assistance .. .. .	(a)26,000	43,000	40,000	- 3,000
<b>Total General Revenue Payments .. .. .</b>	<b>1,189,219</b>	<b>1,480,198</b>	<b>1,467,300</b>	<b>- 12,898</b>
<b>Specific Purpose Payments of a Revenue Nature—</b>				
<b>Payments under the Financial Agreement—</b>				
Interest on State Debts .. .. .	15,170	15,170	15,170	..
Sinking Fund on State Debts .. .. .	23,271	24,550	25,689	+ 1,139
Debt Charges Assistance .. .. .	..	11,504	23,008	+ 11,504
Universities .. .. .	50,435	58,877	67,863	+ 8,986
Colleges of Advanced Education .. .. .	10,658	15,743	19,182	+ 3,439
Research Grants .. .. .	3,446	4,170	4,346	+ 176
Independent Schools .. .. .	12,177	28,253	24,300	+ 47
Blood Transfusion Services .. .. .	725	845	990	+ 145
Home Care Services .. .. .	31	318	450	+ 132
Senior Citizens' Centres .. .. .	..	3	40	+ 37
Paramedical Services .. .. .	..	..	67	+ 67
Housing Grants .. .. .	..	..	4,000	+ 4,000
Road Safety Practices .. .. .	116	150	150	..
<b>Natural Disaster Payments—</b>				
Drought Relief .. .. .	9,038	9,390	2,000	- 7,390
Other Relief .. .. .	242	612	..	- 612
Agricultural Extension Services .. .. .	4,599	4,985	5,680	+ 695
Minor Agricultural Research .. .. .	98	68	77	+ 9
Cattle Tick Control .. .. .	382	388	456	+ 68
Bovine Brucellosis and Tuberculosis Eradication .. .. .	203	1,421	2,125	+ 704
Coal Mining Industry—Long Service Leave .. .. .	1,160	1,416	2,070	+ 654
<b>Total .. .. .</b>	<b>131,752</b>	<b>173,864</b>	<b>197,663</b>	<b>+ 23,799</b>
<b>Specific Purpose Payments of a Capital Nature—</b>				
Universities .. .. .	17,233	16,346	22,167	+ 5,821
Colleges of Advanced Education .. .. .	9,486	14,837	18,574	+ 3,737
Teachers Colleges .. .. .	13,160	2,470	13,040	+ 10,570
Pre-school Teachers Colleges .. .. .	309	856	1,165	+ 309
Science Laboratories .. .. .	12,898	13,062	10,824	- 2,238
Technical Training .. .. .	9,878	12,535	9,217	- 3,318
School Libraries .. .. .	7,540	13,257	9,500	- 3,757
Mental Health Institutions .. .. .	5,501	4,899	5,000	+ 801
Tuberculosis Hospitals .. .. .	593	469	373	- 96
Senior Citizens' Centres .. .. .	16	84	400	+ 316
Nursing Homes .. .. .	..	337	600	+ 263
Dwellings for Aged Pensioners .. .. .	925	4,981	6,500	+ 1,519
<b>Natural Disaster Payments—</b>				
Drought Relief .. .. .	5,120	4,707	1,600	- 3,107
Other Relief .. .. .	130	5,213	2,743	- 2,470
Softwood Forestry .. .. .	4,814	4,784	4,108	- 676
Brigalow Lands Development—Queensland .. .. .	1,100	300	1,700	+ 1,400
Bundaberg Irrigation Works—Queensland .. .. .	..	1,900	3,250	+ 1,350
Cressy-Longford Irrigation Scheme—Tasmania .. .. .	..	200	550	+ 350
Ord River Irrigation Project—Western Australia .. .. .	5,850	5,847	4,909	- 938
Water Resources Investigations/Measurements .. .. .	1,601	2,622	2,744	+ 122
Water Supply—Western Australia .. .. .	2,000	1,792	1,950	+ 158
Flood Mitigation—New South Wales .. .. .	..	1,098	1,307	+ 209
Salinity Reduction—Victoria .. .. .	170	25	70	+ 45
Fairbairn Dam—Queensland .. .. .	3,122	4,785	5,250	+ 465
Copeton Dam—New South Wales .. .. .	3,618	5,750	4,500	- 1,250
King River Dam—Victoria .. .. .	1,385	2,000	330	- 1,670
Pike Creek Dam—New South Wales—Queensland .. .. .	..	..	100	+ 100
Taillem Bend Pipeline—South Australia .. .. .	1,500	1,500	1,500	..
Commonwealth Aid Roads Grants .. .. .	193,000	218,000	245,250	+ 27,250
Beef Cattle Roads .. .. .	6,268	8,985	10,450	+ 1,465
Railway Standardization Projects .. .. .	20,112	7,607	4,900	- 2,707
Bell Bay Railway—Tasmania .. .. .	..	..	4,250	+ 4,250
Hydro-electric scheme—Tasmania .. .. .	9,700	3,211	2,500	- 711
Gladstone Power Station—Queensland .. .. .	..	..	2,300	+ 2,300
Natural Gas Pipeline—South Australia .. .. .	..	2,250	1,750	- 500
Other .. .. .	614	252	499	+ 247
<b>Total .. .. .</b>	<b>337,643</b>	<b>366,261</b>	<b>405,870</b>	<b>+ 39,609</b>
<b>Total Specific Purpose Payments .. .. .</b>	<b>469,396</b>	<b>540,124</b>	<b>603,533</b>	<b>+ 63,409</b>
<b>Works and Housing Programmes—</b>				
Interest-free Capital Grant .. .. .	..	200,000	209,800	+ 9,800
Advances(b) .. .. .	758,000	623,000	650,200	+ 27,200
<b>Total Works and Housing Programmes .. .. .</b>	<b>758,000</b>	<b>823,000</b>	<b>860,000</b>	<b>+ 37,000</b>
<b>Total Payments to or for the States and Works and Housing Programmes .. .. .</b>	<b>2,416,615</b>	<b>2,843,321</b>	<b>2,930,833</b>	<b>+ 87,511</b>

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

(b) As a result of a change in the form of Commonwealth assistance to the States for housing from 1971-72, the amounts allocated by the States for housing are no longer being specifically identified.



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 the States to finance part of their non-revenue producing works, and advances to the States for works and housing under the Loan Council borrowing programmes. Further details of the various payments are given in the White Paper 'Commonwealth Payments to or for the States, 1971-72'.

In 1971-72 Commonwealth payments to or for the States and works and housing programmes are estimated to total \$2,930,833,000—an increase of \$87,511,000 or 3.1 per cent. This relatively small increase reflects the reduction being made in the States' financial assistance grants to offset the loss of revenue to the Commonwealth from the transfer of pay-roll tax to the States.

#### *General Revenue Payments*

At the Premiers' Conference on 16 June 1971 it was agreed to transfer pay-roll tax from the Commonwealth to the States on the basis that the States' financial assistance grants will be reduced to help offset the resultant loss to Commonwealth revenue.

The reduction in the States' financial assistance grants will not completely offset the loss to Commonwealth revenue (for further details see Chapter 11 of 'Commonwealth Payments to or for the States 1971-72'). However, the net effect is that the financial assistance grants are estimated to be \$6,018,000 lower than in 1970-71 whereas, in the absence of the agreement to transfer pay-roll tax, they would be estimated to increase by \$223,943,000, or by 15.8 per cent, in 1971-72. The States will, of course, receive the revenue from pay-roll tax as from the date of transfer. For the purpose of arriving at these estimates it has been assumed that the States will pass enabling legislation with effect from 1 September 1971.

In addition to not completely offsetting the loss to Commonwealth revenue from the transfer of pay-roll tax, the Commonwealth has agreed to provide special revenue assistance in 1971-72 by way of a non-recurring grant of \$40,000,000. The special grants paid on the recommendation of the Grants Commission in 1971-72 will be \$3,880,000 less than in 1970-71.

#### *Specific Purpose Payments of a Revenue Nature*

Specific purpose payments of a revenue nature are estimated to be \$23,799,000 greater than in 1970-71. Payments to assist the States to meet debt charges are estimated to be \$12,643,000 greater, including a further amount of \$11,504,000 granted to the States under the financial arrangements agreed with the Premiers in June 1970 to meet debt charges on \$200,000,000 of State debt in 1970-71 and on an additional \$200,000,000 in each of the next four years.

Payments to the States for education purposes are estimated to increase by \$12,648,000, of which \$8,986,000 relates to the increased recurrent expenses of universities, including exceptional increases in non-academic salaries and wages. As announced in the Budget Speech, the Commonwealth is to commence this year a scheme of grants to the States for housing purposes. Estimated expenditure in 1971-72 is \$4,000,000. Further details of the scheme and of the various payments are given in the White Paper 'Commonwealth Payments to or for the States, 1971-72'.

At this stage, natural disaster relief payments are estimated to be \$8,002,000 less than in 1970-71. Payments included in the 1971-72 figures relate to known commitments. Future commitments of this type cannot, of course, be foreseen.

#### *Specific Purpose Payments of a Capital Nature*

Specific purpose payments of a capital nature are estimated to increase by \$39,609,000. This includes estimated increases of \$27,250,000 in Commonwealth aid roads grants and \$11,124,000 in payments to the States for education. Payments to the States for the development and control of water resources are estimated to show a net decrease of \$1,059,000; increased expenditure on irrigation projects is offset by smaller requirements for the construction of the Copeton and King River Dams. Payments for railway construction projects are estimated to be \$1,543,000 more, largely as a result of the provision of \$4,250,000 for the construction of the Bell Bay railway in Tasmania. Other large increases include \$2,300,000 for the Gladstone (Queensland) Power Station; \$1,519,000 in payments to assist in the construction of dwellings for aged pensioners; and \$1,465,000 for beef cattle roads. Natural disaster relief payments are estimated to be \$5,577,000 less than in 1970-71.

#### *Works and Housing Programmes*

At its meeting in June 1971 the Australian Loan Council approved a government borrowing programme for 1971-72, of which \$860,000,000 was for the financing of State works and housing. This includes \$209,800,000 which the Commonwealth is providing as an interest-free capital grant to help the States finance works from which debt charges are not normally recovered. As a result of the change in the form of Commonwealth assistance to the States for housing from 1971-72, the amounts allocated by the States for housing are no longer being specifically identified.



The Loan Council approved borrowing programmes of \$426,733,000 for State semi-government and local authorities with programmes in excess of \$300,000 in 1971-72, and \$1,270,000 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 1971-72.

ITEM NO. 3—PAYMENT TO NATIONAL WELFARE FUND

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>Social Services—</b>				
Age Pensions .. .. .	(a) 529,982	582,889	673,070	+ 90,181
Invalid Pensions .. .. .	(a) 112,000	119,387	136,030	+ 16,643
Widows' Pensions .. .. .	81,753	90,514	105,060	+ 14,546
Maternity Allowances .. .. .	8,000	8,554	9,000	+ 446
Child Endowment .. .. .	220,143	198,467	218,910	+ 20,443
Unemployment and Sickness Benefits .. .. .	18,592	23,478	26,370	+ 2,892
Rehabilitation Service .. .. .	2,758	3,646	4,273	+ 627
Sheltered Employment Allowances .. .. .	436	590	670	+ 80
Funeral Benefits .. .. .	1,512	1,653	1,700	+ 47
Payments under States Grants (Deserted Wives) Act .. .. .	1,882	3,691	4,700	+ 1,009
Personal Care Subsidy .. .. .	1,133	1,592	1,750	+ 158
Delivered Meals Subsidy .. .. .	196	341	322	- 19
<b>Total .. .. .</b>	<b>978,385</b>	<b>1,034,801</b>	<b>1,181,855</b>	<b>+147,054</b>
<b>National Health Services—</b>				
Medical Benefits .. .. .	56,863	95,604	123,150	+ 27,546
Medical Services for Pensioners .. .. .	19,224	19,904	27,830	+ 7,926
Hospital Benefits .. .. .	40,258	49,812	67,500	+ 17,688
Payments to Public Hospitals for Pensioners .. .. .	24,163	23,549	25,250	+ 1,701
Nursing Home Benefits .. .. .	46,960	49,477	51,860	+ 2,383
Handicapped Persons' Homes—				
Children's Benefit .. .. .	485	456	566	+ 110
Pharmaceutical Benefits .. .. .	95,650	115,094	117,200	+ 2,106
Pharmaceutical Benefits for Pensioners .. .. .	41,069	45,181	51,450	+ 6,269
Milk for School Children .. .. .	10,051	10,160	11,550	+ 1,390
Tuberculosis Medical Services and Allowances .. .. .	11,326	11,256	11,630	+ 374
Miscellaneous Health Services .. .. .	4,955	6,612	7,720	+ 1,108
<b>Total .. .. .</b>	<b>351,004</b>	<b>427,106</b>	<b>495,706</b>	<b>+ 68,600</b>
<b>Housing Benefits—</b>				
Homes Savings Grants .. .. .	12,336	15,200	16,540	+ 1,340
Commonwealth and State Housing Agreement 1945—Contribution to Rental Losses .. .. .	74	131	152	+ 21
<b>Total .. .. .</b>	<b>12,411</b>	<b>15,331</b>	<b>16,692</b>	<b>+ 1,361</b>
<b>Total Payment to National Welfare Fund .. .. .</b>	<b>1,341,799</b>	<b>1,477,238</b>	<b>1,694,253</b>	<b>+217,015</b>

(a) Figures are approximate only.

The National Welfare Fund Act requires that the payment from Consolidated Revenue to the National Welfare Fund each year be equal to actual expenditure from the Fund in that year. In 1970-71 expenditure from the Fund was \$1,477,238,000 and, after taking account of the net costs of the proposals announced in the Budget Speech, it is estimated to total \$1,694,253,000 in 1971-72, an increase of \$217,015,000.

Of this increase, the additional full-year cost in 1971-72 of measures announced in the 1970-71 Budget or during 1970-71 is estimated to account for \$37,000,000. The occurrence of an additional age and invalid pension and public service pay-day in 1971-72 is estimated to add \$27,400,000 to expenditure. The measures announced in the 1971-72 Budget Speech are estimated to add a net \$49,700,000 to expenditure in 1971-72 and \$68,020,000 in a full year. Details of the estimated costs of and savings from the particular proposals are as shown on the following page:



Proposal	Estimated Cost (+) or Saving (-)	
	1971-72	Full Year
	\$'000	\$'000
Increases of \$1.25 a week and \$1.00 a week, respectively, in the standard and married rates of pension and similar benefits. The increases are to be restricted to those persons in receipt of payments at or near the maximum rate of benefit	+ 39,270	+ 52,360
Increase of \$1.00 a week in the rate of wife's allowance .. .. .	+ 1,280	+ 1,700
Increases in the rates of child allowance for—		
First child—by \$2.00 a week .. .. .	+ 9,000	+ 12,000
Each other child—by \$1.00 a week .. .. .		
Increases of 50 cents a week in the rates of child endowment for the third and each subsequent child under 16 years in a family and for each child under 16 years in an institution .. .. .	+ 15,910	+ 26,500
Increases in the rates of tuberculosis allowances in line with increases proposed for social service pensioners .. .. .	+ 40	+ 60
<b>Total cost of increased benefits and allowances .. .. .</b>	<b>+ 65,500</b>	<b>+ 92,620</b>
Less Increase of 50 cents in general patient contribution for pharmaceutical benefits .. .. .	- 15,800	- 24,600
<b>Net Total .. .. .</b>	<b>+ 49,700</b>	<b>+ 68,020</b>

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

ITEM NO. 4—REPATRIATION SERVICES

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>War and Service Pensions and Allowances—</b>				
Pensions and allowances for ex-servicemen and dependants .. .. .	124,685	128,630	142,720	+ 14,090
Pensions and allowances for widows and other dependants of deceased ex-servicemen .. .. .	58,401	62,379	70,900	+ 8,521
Service pensions .. .. .	39,912	43,732	48,740	+ 5,008
Pensions and allowances for seamen and other civilians .. .. .	368	382	445	+ 63
	<b>223,366</b>	<b>235,122</b>	<b>262,805</b>	<b>+ 27,683</b>
<b>Other Benefits—</b>				
Specialist local medical officer and ancillary medical services .. .. .	9,665	10,130	13,120	+ 2,990
Pharmaceutical services .. .. .	15,696	16,621	18,200	+ 1,579
Maintenance of patients in non-departmental institutions .. .. .	5,885	6,593	8,820	+ 2,227
Miscellaneous benefits .. .. .	10,714	11,680	12,970	+ 1,290
	<b>41,960</b>	<b>45,024</b>	<b>53,110</b>	<b>+ 8,086</b>
Repatriation Institutions .. .. .	31,378	35,019	39,495	+ 4,476
<b>Total Repatriation Services .. .. .</b>	<b>296,704</b>	<b>315,165</b>	<b>355,410</b>	<b>+ 40,245</b>

Expenditures on Repatriation Services are estimated to increase by \$40,245,000 in 1971-72 to \$355,410,000. An additional twelve-weekly payment of war pensions and benefits in 1971-72 is estimated to add \$12,500,000 to expenditures. The additional full-year cost in 1971-72 of increased benefits announced in the 1970-71 Budget and in March 1971 is estimated to be \$4,600,000. Higher local medical officer fees, pharmaceutical costs, State hospital charges and salaries for staff in repatriation institutions together with the occurrence of an additional public-service pay-day in 1971-72 account for \$9,800,000 of the estimated increase. The proposals announced in the Budget Speech are estimated to cost \$8,385,000 in 1971-72 and \$11,230,000 in a full year. Details of the estimated costs of the particular proposals are as follows:



Proposal	Estimated Cost	
	1971-72	Full Year
	\$'000	\$'000
Increase in war pensions—		
Special rate—by \$3.50 a week .. .. .	2,905	3,891
Intermediate rate—by \$1.75 a week .. .. .	131	177
War widows—by \$1.25 a week .. .. .	2,483	3,345
War orphans—		
father dead—		
first child—by \$1.00 a week .. .. .	236	315
each other child—by \$2.00 a week .. .. .		
both parents dead—		
each child—by \$2.00 a week .. .. .		
Increase in fifth schedule allowances (items 7-15)—by various amounts .. .. .	75	100
Increase in attendants' allowances—		
higher rate—by \$2.00 a week .. .. .	45	62
lower rate—by \$1.00 a week .. .. .		
Increases in service pensions and allowances comparable to those for social service pensions and allowances .. .. .	2,150	2,860
Other Repatriation proposals (adjustments to fifth schedule allowances (items 1-6) and the higher rate of sustenance allowance consequential on the proposed increase in the special rate war pension) .. .. .	360	480
<b>Total .. .. .</b>	<b>8,385</b>	<b>11,230</b>

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

#### ITEM NO. 5—DEBT CHARGES

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
Interest(a)—				
Commonwealth Inscribed Stock Act, etc. .. .. .	72,436	79,133	76,105	- 3,028
International Bank for Reconstruction and Development—Loans .. .. .	7,524	6,694	5,866	- 828
Sinking Fund .. .. .	26,351	21,061	18,033	- 3,028
Loan Flotation Expenses (Consolidated Revenue Fund) .. .. .	818	75	60	- 15
Loan Flotation Expenses (Loan Fund) .. .. .	1,511	704	1,500	+ 796
Drought Bonds Expenses .. .. .	128	118	85	- 33
<b>Total Debt Charges .. .. .</b>	<b>108,767</b>	<b>107,786</b>	<b>101,649</b>	<b>- 6,137</b>

(a) Interest payments amounting to \$13,076,000 in 1969-70; \$13,971,000 in 1970-71 and an estimated \$15,700,000 in 1971-72 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.** Interest payments under the Commonwealth Inscribed Stock Act, etc., are estimated to decline by \$3,028,000 mainly as a result of reductions of Commonwealth debt outstanding by the National Debt Sinking Fund and the Loan Consolidation and Investment Reserve. These reductions are partly offset by increases in debt charges arising from the difference between the rates of interest at which the Commonwealth borrowed in Australia and overseas in 1970-71 and the lower rates charged by the Commonwealth on advances made to the States under the Commonwealth-States Housing Agreements in that year.

**Sinking Fund:** The National Debt Sinking Fund Act 1966-1967 provides for contributions each year from the Consolidated Revenue Fund to the National Debt Sinking Fund equal to 4 per cent of the net debt of the Commonwealth liable to these contributions at 30 June of the previous year. The amount payable is reduced by income earned from investments after allowing for any profit or loss on the sale of securities. Net Commonwealth debt on which the 4 per cent contribution is calculated declined by \$120,500,000 during 1970-71, due mainly to cancellations of \$206,600,000 by the Loan Consolidation and Investment Reserve which were partly offset by a net increase in Treasury Notes of \$83,200,000. The gross percentage contribution from Consolidated Revenue is estimated therefore to decrease by \$4,819,000 in 1971-72. After allowing for an estimated reduction in investment income of \$1,791,000, the net decrease in the contribution from Consolidated Revenue is estimated to be \$3,028,000.



## ITEM No. 6—DEPARTMENTAL RUNNING EXPENSES

	1969-70 Actual(a)	1970-71 Actual(a)	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
Parliament .. .. .	3,255	4,067	4,829	+ 762
Attorney-General's .. .. .	15,615	17,615	21,917	+ 4,303
Civil Aviation .. .. .	61,056	73,962	84,501	+ 10,539
Customs and Excise .. .. .	24,249	28,209	32,216	+ 4,007
Education and Science .. .. .	4,610	6,318	7,894	+ 1,576
Environment, Aborigines and the Arts(b) .. .. .	2,271	3,574	5,170	+ 1,596
External Territories .. .. .	2,844	3,239	3,439	+ 200
Foreign Affairs .. .. .	26,713	30,727	35,297	+ 4,570
Health .. .. .	14,019	17,083	20,908	+ 3,824
Housing .. .. .	5,765	6,402	7,134	+ 732
Immigration .. .. .	17,734	19,790	21,056	+ 1,266
Interior .. .. .	48,409	57,312	61,861	+ 4,549
Labour and National Service .. .. .	12,472	15,370	19,282	+ 3,912
National Development .. .. .	13,444	15,081	17,524	+ 2,443
Primary Industry .. .. .	11,636	14,569	17,938	+ 3,369
Prime Minister and Cabinet .. .. .	21,918	24,287	27,874	+ 3,587
Repatriation .. .. .	14,972	16,700	19,135	+ 2,435
Shipping and Transport .. .. .	6,731	8,029	9,828	+ 1,799
Social Services .. .. .	18,590	21,284	25,524	+ 4,240
Supply—Antarctic Division(c) .. .. .	2,179	2,336	2,667	+ 331
Trade and Industry .. .. .	18,370	21,197	23,585	+ 2,387
Treasury—				
Bureau of Census and Statistics .. .. .	17,567	20,105	27,751	+ 7,646
Commonwealth Taxation Office .. .. .	46,076	52,095	60,179	+ 8,084
Other .. .. .	9,181	10,624	12,227	+ 1,603
Works .. .. .	48,928	54,035	58,119	+ 4,084
<b>Total Departmental Running Expenses .. .. .</b>	<b>468,604</b>	<b>544,010</b>	<b>627,856</b>	<b>+ 83,846</b>

(a) Some of the figures for 1969-70 and 1970-71 have been adjusted for accounting changes to place them on a basis comparable with the 1971-72 estimates.

(b) In previously published figures, expenditures by this department were shown under other departmental headings, including Prime Minister and Cabinet and the Treasury. Figures for previous years are not fully comparable with the 1971-72 estimate.

(c) In previous years, included in Item No. 1, Defence Services.

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

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
Wages and salaries .. .. .	303,761	359,868	428,473	+ 68,605
Other administrative expenses .. .. .	164,843	184,142	199,383	+ 15,241
<b>Total .. .. .</b>	<b>468,604</b>	<b>544,010</b>	<b>627,856</b>	<b>+ 83,846</b>

Of the estimated increase of \$68,605,000 in expenditure on wages and salaries in 1971-72, the occurrence of one more Public Service pay day accounts for about \$16,000,000. The remainder is attributable mainly to the full year effects of higher wage and salary rates arising from arbitration and other determinations during 1970-71, and the increase in staff numbers.



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

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase — Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>Australian Capital Territory—</b>				
Attorney-General's .. .. .	532	639	779	+ 140
Education and Science .. .. .	8,259	11,105	12,458	+ 1,353
Health .. .. .	4,531	6,465	6,858	+ 393
<b>Interior—</b>				
Police .. .. .	1,967	2,451	3,261	+ 810
Other .. .. .	11,623	13,903	16,000	+ 2,097
National Capital Development Commission ..	1,956	2,295	2,695	+ 400
Works .. .. .	4,268	4,600	4,901	+ 301
Labour and National Service .. .. .	..	..	27	+ 27
<b>Total Australian Capital Territory .. .. .</b>	<b>33,137</b>	<b>41,459</b>	<b>46,980</b>	<b>+ 5,521</b>
<b>Northern Territory—</b>				
Attorney-General's .. .. .	324	391	502	+ 111
Education and Science .. .. .	3,720	5,073	5,504	+ 431
Health .. .. .	7,625	9,420	11,604	+ 2,184
Interior .. .. .	27,180	31,037	34,745	+ 3,707
Labour and National Service .. .. .	9	..	..	..
Works .. .. .	10,407	11,160	13,306	+ 2,146
Aboriginal Reserves—Mining and Timber Royalties	277	..	..	..
<b>Total Northern Territory .. .. .</b>	<b>49,543</b>	<b>57,081</b>	<b>65,660</b>	<b>+ 8,579</b>
<b>Total Internal Territories .. .. .</b>	<b>82,680</b>	<b>98,540</b>	<b>112,640</b>	<b>+14,100</b>
<b>External Territories(b) .. .. .</b>	<b>1,292</b>	<b>1,317</b>	<b>1,476</b>	<b>+ 158</b>
<b>Total Territories .. .. .</b>	<b>83,972</b>	<b>99,857</b>	<b>114,116</b>	<b>+14,258</b>

(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 \$2,907,000 for greater expenditure by the Department of the Interior on police, administration and municipal activities and \$1,353,000 for the Department of Education and Science. Of the latter increase, \$610,000 is for payment to the New South Wales Department of Education for teachers at government schools in the Australian Capital Territory, and \$486,000 for increased running costs of government schools and increased interest payments arising from the growing independent school construction programme.

The estimated increase of \$8,579,000 in expenditure in the Northern Territory results from the continuing expansion of community, welfare and municipal services. Expenditure by the Department of the Interior is estimated to increase by \$3,707,000, including increases of \$2,314,000 for salaries and administrative expenses, \$341,000 for general services undertaken by the Northern Territory Administration, and \$1,001,000 for Aboriginal advancement. Expenditure on Health services is estimated to be \$2,184,000 greater and expenditure undertaken by the Department of Works \$2,146,000 greater.



## ITEM NO. 8—EXTERNAL ECONOMIC AID (INCLUDING PAPUA NEW GUINEA)

				1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
				\$'000	\$'000	\$'000	\$'000
Multilateral Programmes	..	..	..	10,558	11,458	8,505	- 2,953
Bilateral Programmes	..	..	..	40,284	43,425	46,973	+ 3,548
				50,842	54,883	55,478	+ 595
Papua New Guinea	..	..	..	102,466	108,186	116,582	+ 8,396
Total	..	..	..	153,308	163,069	172,060	+ 8,991

The figures in this table summarise clearly identifiable items in the Budget which are in the nature of economic aid to developing countries.

A number of Commonwealth Departments and instrumentalities operate in Papua 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

				1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
				\$'000	\$'000	\$'000	\$'000
Rural Industries	..	..	..	138,111	210,424	274,917	+ 64,493
Manufacturing Industries	..	..	..	68,047	90,889	82,831	- 8,058
Mining Industries	..	..	..	16,157	13,092	11,460	- 1,632
Transport Industries	..	..	..	2,107	2,273	2,028	- 245
Total Commonwealth Payments to Industry				224,422	316,677	371,236	+ 54,558

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

	1969-70 Actual(a)	1970-71 Actual(a)	1971-72 Estimate	+ Increase —Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
Parliament .. .. .	2,832	2,793	2,914	+ 121
Attorney-General's .. .. .	1,641	2,064	1,972	- 92
Civil Aviation .. .. .	1,882	2,272	2,429	+ 157
Customs and Excise .. .. .	392	610	563	- 47
Education and Science—				
Australian National University .. .. .	21,314	26,202	29,785	+ 3,583
Commonwealth Scholarship Schemes .. .. .	32,215	38,421	43,704	+ 5,283
Commonwealth Scientific and Industrial Research Organiza- tion .. .. .	38,660	44,541	50,300	+ 5,759
Canberra College of Advanced Education .. .. .	1,100	1,678	2,250	+ 572
Other .. .. .	1,693	2,043	2,154	+ 111
Environment, Aborigines and the Arts—				
Aboriginal Advancement .. .. .	7,160	10,400	14,230	+ 3,830
National Library .. .. .	4,055	4,382	5,082	+ 700
Other .. .. .	8,176	6,929	5,978	- 951
External Territories .. .. .	6	4	5	+ 1
Foreign Affairs—				
International Organizations—Contributions .. .. .	3,752	3,912	4,930	+ 1,018
Other .. .. .	330	427	459	+ 31
Health .. .. .	4,256	4,907	5,879	+ 972
Housing .. .. .	110	87	101	+ 14
Immigration—				
Assisted Passage Schemes .. .. .	40,917	38,487	32,646	- 5,841
Contributions to Commonwealth Hostels Limited .. .. .	5,301	5,654	5,140	- 514
Migrant Education .. .. .	1,333	3,875	4,880	+ 1,005
Other .. .. .	2,640	2,518	2,564	+ 46
Interior .. .. .	63	63	72	+ 9
Labour and National Service—				
Stevedoring Industry .. .. .	13,613	14,009	16,600	+ 2,591
Other .. .. .	693	952	1,589	+ 637
National Development—				
Australian Atomic Energy Commission .. .. .	11,028	11,568	11,600	+ 32
Joint Coal Board .. .. .	532	513	524	+ 11
Other .. .. .	1,052	937	1,622	+ 685
Postmaster-General's—				
Broadcasting and Television Services .. .. .	60,338	67,618	74,371	+ 6,754
Primary Industry—				
Wheat Research .. .. .	1,688	1,337	1,598	+ 261
Wool Promotion and Research .. .. .	27,651	34,237	34,323	+ 86
Meat Research, etc. .. .. .	4,181	4,530	5,860	+ 1,330
Dairy Produce—Research, Promotion, etc. .. .. .	2,542	2,617	2,830	+ 213
Canned Fruits—Promotion, etc. .. .. .	790	984	947	- 37
Poultry Industry Stabilization and Research .. .. .	11,216	12,790	12,900	+ 110
War Service Land Settlement .. .. .	3,963	3,928	4,730	+ 802
Other .. .. .	2,553	2,546	3,327	+ 781
Prime Minister and Cabinet .. .. .	1,277	1,172	1,132	- 40
Shipping and Transport—				
Bureau of Roads .. .. .	672	661	786	+ 125
Other .. .. .	525	726	782	+ 56
Social Services—				
Homes for aged persons .. .. .	12,700	16,750	17,200	+ 450
Telephone concessions for pensioners .. .. .	2,299	2,955	3,860	+ 905
Other .. .. .	2,216	3,028	4,534	+ 1,506
Trade and Industry .. .. .	2,459	2,520	2,979	+ 459
Treasury—				
Superannuation .. .. .	35,358	39,156	51,700	+ 12,544
Less—payments in respect of former Post Office em- ployees(b) .. .. .	15,354	16,477	21,700	+ 5,223
Net superannuation .. .. .	20,004	22,679	30,000	+ 7,321
Remission of taxes and fines .. .. .	3,280	3,154	3,520	+ 366
Other .. .. .	624	496	565	+ 69
<b>Total Other Expenditures .. .. .</b>	<b>367,724</b>	<b>414,977</b>	<b>456,213</b>	<b>+ 41,236</b>

(a) Some of the figures for 1969-70 and 1970-71 have been adjusted for accounting changes to place them on a basis consistent with the 1971-72 estimates.

(b) 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 heading is estimated to increase by \$41,236,000. Larger variations are:—

#### *Education and Science*

*Australian National University.* The estimated increase of \$3,583,000 in payments to the Australian National University in 1971-72 reflects the second full-year costs of the 1970-72 triennial programme.

*Commonwealth Scholarship Schemes.* The estimated increase of \$5,283,000 includes \$3,281,000 for university scholarships, \$864,000 for advanced education scholarships, and \$773,000 for post-graduate awards. The estimated increase in expenditure on university scholarships takes into account the first full-year effect of a greater number of open entrance scholarships and increased rates of allowances, both of which became effective from the beginning of 1971. The estimated increase in expenditure on advanced education scholarships, as well as taking account of the first full-year cost of increased allowances, also reflects the announcement in the Budget Speech that the number of scholarships will be raised from 2,500 to 4,000 from the beginning of 1972. The growth in the cost of post-graduate awards reflects the first full-year effect of an increase in the number of existing awards, the introduction of a new category of 'course awards' and increased stipends, all of which became effective as from the beginning of 1971. Provision has also been made for a number of teacher training scholarships to be awarded from the beginning of 1972, intended primarily to provide a source of teachers for community schools in the Northern Territory.

*Commonwealth Scientific and Industrial Research Organization.* Of the total estimated increase of \$5,759,000 in 1971-72, \$4,618,000 is the result of increases in salaries arising from recent awards and determinations and the provision for an additional pay day in 1971-72. An additional \$471,000 is required for the redeployment of staff previously supported from wool and dairy industry research funds. The remaining \$670,000 reflects increases in administrative costs and grants to research associations.

#### *Environment, Aborigines and the Arts*

*Aboriginal Advancement.* An amount of \$10,400,000 was paid to the Aboriginal Advancement Trust Account in 1970-71, which, with the unexpended balance in the Trust Account, meant that some \$11,330,000 was available for expenditure on Aboriginal Advancement. Actual expenditure in 1970-71 totalled \$11,210,000 of which grants to the States totalled \$7,000,000. It is estimated that \$14,230,000 will be paid into the Aboriginal Advancement Trust Account in 1971-72, so that, with the balance in the Fund at 1 July 1971, \$14,350,000 will be available for expenditure in 1971-72. Of the \$3,140,000 increase in estimated expenditures from the Trust Account, payments to the States will increase by \$2,200,000 and payments under the Study and Secondary Grants Schemes by \$1,318,000.

#### *Foreign Affairs*

*International Organisations—Contributions.* Contributions to international organisations are estimated to increase by \$1,018,000 in 1971-72 including an initial membership subscription of \$500,000 to the Organisation for Economic Co-operation and Development.

#### *Immigration*

*Assisted Passage Schemes.* The 1971-72 assisted migrant programme is 100,000 settlers compared with 120,500 in 1970-71. This accounts for the decrease of \$5,841,000 in estimated expenditure on embarkation and passage costs.

*Migrant Education.* The estimated increase of \$1,005,000 includes \$765,000 for the further development of the child migrant education programme and \$390,000 for intensive English language courses.

#### *Labour and National Service*

*Stevedoring Industry Act.* The proceeds of the stevedoring industry charge levied on the industry are paid to the Australian Stevedoring Industry Authority. Payments are estimated to rise by \$2,591,000 in 1971-72 as a result of increased charges operative from June 1971.

#### *Postmaster-General's*

*Broadcasting and Television Services.* The estimated increase in expenditure of \$6,754,000 includes \$5,138,000 for increased running expenses of the Australian Broadcasting Commission and \$1,135,000 for additional expenditure on technical services provided by the Postmaster-General's Department.

#### *Primary Industry*

*Meat Research, etc.* The estimated increase of \$1,330,000 reflects, in the main, the increased rate of cattle slaughter levy operative from February 1971. The proceeds of the levy are used to finance research and to meet the expenses of the Australian Meat Board.

*War Service Land Settlement.* Payments to the agent States under the *States Grants (War Service Land Settlement) Act 1952-53* 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 \$3,391,000 in 1970-71. Of the estimated payment of \$4,000,000 in 1971-72, \$3,483,000 will be in respect of the provision of credit facilities. The estimated increase of \$609,000 in 1971-72 arises mainly from an expected increase in the credit requirements of soldier settlers in the agent States. Administrative expenses under the War Service Land Settlement Scheme, which are met from annual appropriations, are estimated to increase from \$537,000 to \$730,000 in 1971-72.



Social Services

*Telephone concessions for pensioners.* Of the increase of \$905,000 in estimated expenditure, \$560,000 is attributable to the announced increases in telephone rentals.

*Other.* Expenditure under this heading is expected to increase by \$1,506,000. This increase is mainly attributable to an estimated increase of \$794,000 in grants to eligible organisations under the *Sheltered Employment (Assistance) Act 1970* and under the *Handicapped Children (Assistance) Act 1970* for which an additional \$705,000 is provided.

Treasury

*Superannuation.* Growth in the number of pensioners under the *Superannuation Act 1922-1971*, together with rising entitlements, in the case of new pensions, because of salary increases, the introduction of non-contributory units, and the Government's intention to increase rates of pension, are estimated to result in an increase of \$12,544,000 in Government contributions to the Superannuation Fund. Recoveries of payments in respect of pensions to former Post Office employees are estimated to increase by \$5,223,000, thus reducing the increase in the Government contribution to an estimated net \$7,321,000.

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

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase — Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
Post Office .. .. .	233,000	247,000	255,000	+ 8,000
Australian National Airlines Commission ..	8,110	17,117	10,714	- 6,403
Qantas Airways Limited .. .. .	3,198	29,982	86,200	+56,218
Australian Coastal Shipping Commission ..	14,000	2,000	6,000	+ 4,000
Snowy Mountains Hydro-electric Authority ..	35,608	30,734	19,389	-11,345
Snowy Mountains Engineering Corporation ..	..	800	625	- 175
Australian Atomic Energy Commission—Repayable Advance .. .. .	712	2,448	53	- 2,395
Australian Industry Development Corporation ..	..	25,000	12,500	-12,500
Commonwealth Development Bank .. .. .	..	..	10,000	+10,000
Australian Wool Commission .. .. .	..	12,000	10,000	- 2,000
War Service Homes .. .. .	\$5,000	61,000	60,000	- 1,000
Australian Capital Territory Housing Advances ..	9,626	12,090	14,530	+ 2,440
Australian Capital Territory Electricity Authority ..	200	800	200	- 600
Northern Territory Housing Commission .. ..	5,475	5,400	6,900	+ 1,500
Northern Territory Port Authority .. .. .	110	1,047	1,604	+ 557
Other Northern Territory Advances .. .. .	234	1,075	959	- 116
Commonwealth Serum Laboratories Commission ..	..	..	800	+ 800
<b>Total Advances .. .. .</b>	<b>365,273</b>	<b>448,492</b>	<b>495,474</b>	<b>+46,982</b>

(a) Other than advances to the States.

The estimated increase of \$46,982,000 in advances for capital purposes is the net result of a number of significant variations.

*Post Office.* It is estimated that an amount of \$255,000,000, or \$8,000,000 more than last year, will be provided to the Post Office in 1971-72 to help finance its capital works programme. The Post Office will also be contributing to the programme from its own internal resources, mainly depreciation funds.

*Australian National Airlines Commission and Qantas Airways Limited.* Advances to the Australian National Airlines Commission are estimated to decrease by \$6,403,000 as a major part of the Commission's re-equipment programme was completed in 1970-71. The advance to Qantas Airways Limited is estimated to increase by \$56,218,000 to meet payments on Boeing 747 aircraft.

*Australian Coastal Shipping Commission.* The increase of \$4,000,000 in the provision this year is to assist in financing investment by the Commission in new ships and equipment for overseas and coastal trades.

*Snowy Mountains Hydro-electric Authority.* The estimated decrease of \$11,345,000 in expenditure in 1971-72 reflects progress towards completion of the Snowy Mountains Scheme.

*Australian Atomic Energy Commission.* The estimated decrease of \$2,395,000 in expenditure results from the decision to defer consideration of the construction of the Jervis Bay nuclear power station.

*Australian Industry Development Corporation.* Provision has been made for the payment of \$12,500,000 to the Corporation in 1971-72 as a second instalment of capital. An amount of \$25,000,000 was provided as an initial capital subscription for the Corporation in 1970-71.

*Commonwealth Development Bank.* Provision has been made for an advance of \$10,000,000 to help finance an extension of the Bank's operations to include loans to farmers for the acquisition of additional land to build up the size and operational efficiency of their farms.



*Australian Wool Commission.* An amount of \$10,000,000 has been provided for advances of additional working capital.

*War Service Homes.* As announced in the Budget Speech it is proposed to increase the maximum loan under the War Service Homes Scheme from \$8,000 to \$9,000. An amount of \$60,000,000 has been provided for expenditure on War Service Homes in 1971-72.

*Australian Capital Territory Housing Advances.* The provision of \$14,530,000 for housing loans in the Australian Capital Territory, an increase of \$2,440,000, makes allowance for proposed increases in maximum loans, to be made concurrently with the proposed increase in the maximum loan under the War Service Homes Scheme, from \$8,000 to \$9,000 in the case of the Commissioner for Housing and from \$8,500 to \$9,500 for co-operative building societies.

*Northern Territory Housing Commission.* The increased provision of \$1,500,000 includes \$900,000 to cover payments for land from 1 January 1971 under the new land tenure arrangements for the Territory.

## ITEM NO. 12—OTHER CAPITAL WORKS AND SERVICES

	1969-70 Actual(a)	1970-71 Actual(a)	1971-72 Estimate	+ Increase — Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>Purchase of Sites, Buildings and Improvements on Leases—</b>				
Under the control of the Department of the Interior—				
Civil Aviation .. .. .	1,555	1,808	2,777	+ 968
Interior .. .. .	805	1,841	21,281	+19,440
Other .. .. .	2,123	3,739	1,708	- 2,031
Overseas Establishments .. .. .	1,533	556	781	+ 225
Other .. .. .	79	169	65	- 104
Total Purchases, etc. .. .. .	6,096	8,113	26,611	+18,498
<b>Building and Works—</b>				
Under the control of the Department of Works—				
Civil Aviation .. .. .	31,980	39,202	26,675	-12,527
Education and Science—				
C.S.I.R.O. .. .. .	2,670	3,878	3,090	- 788
Other .. .. .	2,836	4,081	6,229	+ 2,148
Health .. .. .	2,876	6,608	15,860	+ 9,252
Immigration .. .. .	3,896	974	35	- 939
Interior .. .. .	28,893	33,082	38,480	+ 5,398
Repatriation .. .. .	1,975	2,345	1,440	- 905
Social Services .. .. .	1,392	953	2,116	+ 1,163
Works .. .. .	1,589	1,136	727	- 409
Broadcasting and Television Services .. .. .	996	3,486	5,885	+ 2,399
Other .. .. .	2,417	3,348	4,463	+ 1,115
Total .. .. .	81,519	99,093	105,000	+ 3,907
National Capital Development Commission .. .. .	50,028	55,750	58,500	+ 2,750
Other—				
Attorney-General's .. .. .	24	857	1,316	+ 459
C.S.I.R.O. .. .. .	633	540	493	- 47
Overseas Establishments .. .. .	838	304	655	+ 351
Other .. .. .	1,783	1,943	2,021	+ 78
Total .. .. .	3,279	3,644	4,485	+ 841
Total Buildings and Works .. .. .	134,826	158,487	167,985	+ 9,498
<b>Plant and Equipment, etc.—</b>				
Civil Aviation .. .. .	7,165	11,396	9,576	- 1,820
Health .. .. .	1,252	5,707	1,280	- 4,427
Interior .. .. .	4,635	5,166	6,629	+ 1,463
C.S.I.R.O. .. .. .	1,032	1,056	1,107	+ 51
Works .. .. .	3,435	3,851	3,150	- 701
Broadcasting and Television Services .. .. .	3,964	5,859	5,825	- 34
Repatriation .. .. .	44	2,018	75	- 1,943
Social Services .. .. .	41	2,461	75	- 2,386
National Development .. .. .	1,330	992	885	- 107
Overseas Establishments .. .. .	333	352	293	- 59
Other .. .. .	2,092	1,952	1,536	- 416
Total Plant and Equipment .. .. .	25,322	40,810	30,431	-10,379
<b>Other Payments to or For the Statutory Bodies and Other Organisations for Capital Purposes—</b>				
Commonwealth Railways .. .. .	12,231	14,319	19,675	+ 5,356
Commonwealth Hostels .. .. .	5,990	5,460	2,398	- 3,062
Australian National University .. .. .	4,522	5,690	5,049	- 642
Canberra College of Advanced Education .. .. .	1,400	3,310	3,460	+ 150
Independent schools—A.C.T. and N.T. .. .. .	873	833	1,098	+ 265
Australian Atomic Energy Commission .. .. .	2,060	1,780	1,764	- 16
Anglo-Australian Telescope Board .. .. .	319	388	2,514	+ 2,126
Other .. .. .	319	765	802	+ 37
Total Other Payments .. .. .	27,396	32,543	36,760	+ 4,214
Total Other Capital Works and Services .. .. .	193,641	239,957	261,786	+21,830

(a) Figures for 1969-70 and 1970-71 have been adjusted for accounting changes to place them on a basis comparable with the 1971-72 estimates.



In 1971-72 expenditure on other capital works and services is estimated to total \$261,786,000, an increase of \$21,830,000. These estimates include expenditure in the Australian Capital Territory of \$74,008,000 or \$8,710,000 more than in 1970-71, and \$51,079,000 in the Northern Territory, \$8,366,000 more than last year.

*Purchase of Sites, Buildings and Improvements on Leases*

*Under the Control of the Department of the Interior*

*Civil Aviation.* The increase of \$968,000 in estimated expenditure stems mainly from the proposed purchase of land for the development of Brisbane and Perth airports.

*Interior.* The estimated increase in expenditure by the Department of the Interior includes \$16,700,000 in payment for the transfer of five acres of Navy land at Woolloomooloo (N.S.W.) on which Commonwealth offices are planned to be built. This amount will be credited to Consolidated Revenue Fund and is shown under the heading 'Other Revenue' in Statement No. 5. Also included in the estimates is an additional \$2,995,000 for the purchase of freehold land in the Australian Capital Territory in continuation of the policy to acquire such land for future development.

*Other.* The estimated reduction of \$2,031,000 in other expenditures under the control of the Department of the Interior relates chiefly to non-recurring expenditure in 1970-71 on the acquisition of hostel buildings in the Northern Territory on behalf of the Department of Labour and National Service.

*Buildings and Works*

*Under the Control of the Department of Works*

*Civil Aviation.* The estimated \$12,527,000 reduction in civil aviation works is due to the tapering off of major construction projects at Melbourne and Avalon Airports (Vic.) and Sydney (Kingsford-Smith) Airport (N.S.W.).

*Education and Science.* Expenditure on laboratories for the C.S.I.R.O. is estimated to be \$788,000 less than in 1970-71. The estimated increase of \$2,148,000 in expenditure on other works reflects the expected increase of \$2,170,000 on schools in the Northern Territory.

*Health.* The estimated increase of \$9,252,000 is attributable mainly to hospital construction. Expenditure in the Northern Territory, principally for the Nhulunbuy hospital, is expected to increase by \$6,110,000. Similar work in the Australian Capital Territory, related mainly to the Woden Valley Hospital, is estimated to increase expenditures by \$2,963,000.

*Immigration.* Reduced activity on migrant hostel works in Victoria and New South Wales accounts for the reduction of \$939,000 in estimated expenditure on behalf of the Department of Immigration.

*Interior.* The erection of Commonwealth offices, principally in Brisbane and Hobart, and urban development and Aboriginal advancement projects in the Northern Territory are the main factors leading to the increase of \$5,398,000 in expenditure. Expenditure on office construction is estimated at \$3,647,000 more than in 1970-71 and on the Northern Territory projects, \$2,136,000 more. Expenditure on behalf of the Department of the Interior in the Australian Capital Territory is estimated to be \$385,000 less.

*Repatriation.* With major projects nearing completion in Perth and Sydney, works expenditure for the Department is expected to decline by \$905,000 this year.

*Social Services.* The estimated increase of \$1,163,000 relates to the construction of a new rehabilitation centre at Glea Waverley (Vic.).

*Broadcasting and Television Services.* The increase of \$2,399,000 in these expenditures relates mainly to the construction of radio broadcasting studios at Collinswood (S.A.).

*Other.* Construction of a new archives repository at Villawood (N.S.W.) for the Department of the Environment, Aborigines and the Arts, at a total estimated cost of about \$1,700,000, is the principal factor accounting for the estimated net increase of \$1,115,000 in this item.

*National Capital Development Commission*

The estimated increase of \$2,750,000 in expenditure by the Commission is principally for basic works in the Australian Capital Territory, including land development, water, sewerage and stormwater services. Expenditure on education facilities and national works is also expected to be greater this year.

*Plant and Equipment, etc.*

*Civil Aviation.* The reduction of \$1,820,000 in estimated expenditure this year is attributable mainly to the lower incidence of payments for equipment on long-term order.

*Health.* Expenditure on plant and equipment is estimated to decline by \$4,427,000. This is a result of non-recurring expenditure on computing equipment in 1970-71.



*Interior.* The estimated increase of \$1,463,000 arises from the proposed expenditure in 1971-72 of \$1,060,000 for expansion of computer facilities for the Bureau of Meteorology, and from increases of \$229,000 for the Australian Capital Territory Transport Undertaking for the purchase of new omnibuses and special duty vehicles and \$102,000 for replacement vehicle purchases in the Northern Territory.

*Repatriation.* The estimated decline of \$1,943,000 reflects the purchase in 1970-71 of new computing facilities for the Department. No similar expenditure is envisaged this year.

*Social Services.* Expenditure on plant and equipment is estimated to decline by \$2,386,000. This is mainly a result of non-recurring expenditure on computing equipment in 1970-71.

*Other Payments to or for Statutory Bodies and Other Organisations*

*Commonwealth Railways.* The estimated increase of \$5,356,000 in expenditure in 1971-72 relates mainly to the construction of new railways. The major project is a new line between Port Augusta and Whyalla which accounts for \$4,033,000 of the estimated increase; a further \$382,000 is for the Knuckey's Lagoon-East Arm line in the Northern Territory. An estimated increase of \$208,000 relates to the continuation of the survey of the proposed Tarcoola to Alice Springs railway; the balance of the increase relates to the continuing programme of upgrading existing lines and associated facilities and the purchase of rolling stock.

*Commonwealth Hostels.* Expenditure on the replacement and improvement of existing accommodation is estimated to be \$3,062,000 less in 1971-72 and relates mainly to a reduction in the migrant hostel re-building programme.

*Anglo-Australian Telescope Board.* The estimated increase of \$2,126,000 in the Australian contribution towards the capital expenditure of the Anglo-Australian Telescope Board is due to the substantially larger cash requirement of several major components of the project. In 1970-71, an additional \$205,000 (net of United Kingdom reimbursements under the agreement) was provided as a separate item under the control of the Department of Education and Science, pending the establishment of the Board.



## STATEMENT No. 5—ESTIMATES OF RECEIPTS, 1971-72

On the basis of existing legislation and in the absence of any changes in existing taxes and other charges, it is estimated that total receipts in 1971-72 would amount to \$8,912,901,000, which would be \$882,672,000, or 11.0 per cent, more than total receipts in 1970-71. At the Premiers' Conference in June, however, it was agreed that the Commonwealth would cease to levy pay-roll tax in the States as from a date to be determined in 1971-72 and that the States would levy their own pay-roll taxes as from the same date. This transfer of pay-roll tax to the States is to be accompanied by a reduction in financial assistance grants payable to the States. Details of these arrangements are set out in the document 'Commonwealth Payments to or for the States 1971-72' presented concurrently with the Budget. On the assumption that these arrangements become effective as from 1 September 1971, total Commonwealth receipts in 1971-72, at existing rates of taxes and charges, are estimated to be \$259,000,000 less at \$8,653,901,000. This would be an increase of \$623,672,000, or 7.8 per cent.

Details of the estimated effects on receipts in 1971-72 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	
	1971-72	Full Year
	\$'000	\$'000
<b>Customs—</b>		
Increase in duty on petroleum products ..	+ 2,200	+ 2,600
Increase in duty on tobacco products ..	+ 800	+ 1,300
<b>Total Customs .. ..</b>	<b>+ 3,000</b>	<b>+ 3,900</b>
<b>Excise—</b>		
Increase in duty on petroleum products ..	+ 41,000	+ 51,500
Removal of certain by-law exemptions on petroleum products .. ..	+ 1,300	+ 1,500
Increase in duty on tobacco products ..	+ 20,200	+ 30,400
<b>Total Excise .. ..</b>	<b>+ 62,500</b>	<b>+ 83,400</b>
<b>Income Tax—</b>		
<b>Individuals—</b>		
Increase in levy from 2½ per cent to 5 per cent—		
Gross P.A.Y.E. .. ..	+ 54,000	(a)
Other .. ..	+ 14,000	
<b>Total .. ..</b>	<b>+ 68,000</b>	<b>+ 87,000</b>
Increases in concessional deductions—		
Gross P.A.Y.E. .. ..	- 225	(a)
Other .. ..	- 180	
<b>Total .. ..</b>	<b>- 405</b>	<b>- 6,350</b>
<b>Total Income Tax—Individuals ..</b>	<b>+ 67,595</b>	<b>+ 80,650</b>
<b>Companies—</b>		
Increase in rate on first \$10,000 of taxable income .. ..	+ 24,000	+ 26,000
<b>Total Taxation .. ..</b>	<b>+ 157,095</b>	<b>+ 193,950</b>
<b>Other Revenue—</b>		
Increase in broadcasting and television licence fees .. ..	+ 11,000	+ 15,500
Increase in light dues .. ..	+ 480	+ 640
<b>Total Other Revenue .. ..</b>	<b>+ 11,480</b>	<b>+ 16,140</b>
<b>Total effect on Receipts .. ..</b>	<b>+ 168,575</b>	<b>+ 210,090</b>

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



After taking account of the new pay-roll tax arrangements and these other revenue proposals, total receipts in 1971-72 are estimated to be \$8,822,476,000, an increase of \$792,247,000 or 9.9 per cent. Were it not for the transfer of pay-roll tax to the States, the increase would be \$1,051,247,000 or 13.1 per cent. In 1970-71, total receipts increased by \$915,537,000 or 12.9 per cent, including the effects of revenue measures announced in the 1970-71 Budget Speech which were estimated to reduce receipts by a net \$34,440,000 in 1970-71.

The following table compares estimated receipts in 1971-72 with actual receipts in the two preceding financial years.

	1969-70 Actual(a)	1970-71 Actual(a)	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>Taxation Revenue—</b>				
Customs Duty .. .. .	414,487	465,728	533,000	+ 67,272
Excise Duty .. .. .	939,712	1,053,304	1,182,500	+ 129,196
Sales Tax .. .. .	567,359	633,159	695,000	+ 61,841
<b>Income Tax—Individuals—</b>				
Gross P.A.Y.E. .. .. .	2,524,673	2,939,073	3,493,775	+ 554,702
Less refunds .. .. .	440,454	507,011	635,000	+ 127,989
<b>Net P.A.Y.E. .. .. .</b>	<b>2,084,219</b>	<b>2,432,062</b>	<b>2,858,775</b>	<b>+ 426,713</b>
Other .. .. .	773,917	746,075	803,820	+ 57,745
Companies .. .. .	1,151,364	1,395,389	1,514,000	+ 118,611
<b>Withholding Tax—</b>				
Dividends .. .. .	38,003	35,956	43,000	+ 7,044
Interest .. .. .	8,019	12,318	9,000	- 3,318
Pay-roll Tax .. .. .	264,050	295,428	96,000	- 199,428
Estate Duty .. .. .	71,332	70,073	78,000	+ 7,927
Gift Duty .. .. .	8,553	7,795	8,000	+ 205
Stamp Duty (A.C.T. and N.T.) .. .. .	2,063	2,651	3,150	+ 499
<b>Total Taxation Revenue .. .. .</b>	<b>6,323,081</b>	<b>7,149,938</b>	<b>7,824,245</b>	<b>+ 674,307</b>
Other Revenue .. .. .	571,667	663,638	741,982	+ 78,344
National Debt Sinking Fund .. .. .	156,264	156,043	160,749	+ 4,706
Net increase in other balances of the Commonwealth in the Trust Fund .. .. .	63,679	60,610	95,500	+ 34,890
<b>Total Receipts .. .. .</b>	<b>7,114,692</b>	<b>8,030,229</b>	<b>8,822,476</b>	<b>+ 792,247</b>

(a) Some of the figures for 1969-70 and 1970-71 have been adjusted for accounting changes to place them on a basis comparable with the estimates for 1971-72.



## TAXATION REVENUE

In 1971-72 total taxation revenue is estimated to increase by \$674,307,000 or 9.4 per cent, to \$7,824,245,000. The main changes in estimated taxation collections are discussed in the following notes.

**Customs Duty.** The estimate of collections of customs duty allows for a faster rate of increase in recorded imports in 1971-72 than occurred in 1970-71 and for a further increase in the proportion of imports dutiable at higher rates. On the basis of existing legislation, collections of customs duty are estimated to increase by \$64,272,000 to \$530,000,000. After allowing for the effects of the measures announced in the Budget Speech it is estimated that collections will increase by \$67,272,000 to \$533,000,000 in 1971-72.

**Excise Duty.** On the assumption that there will be an increase in clearances of goods subject to excise duty broadly equivalent to that which occurred in 1970-71 it is estimated that excise collections at existing rates of duty will increase by \$66,696,000 or 6.3 per cent to \$1,120,000,000. In 1970-71, excise collections increased by \$113,592,000 or 12.1 per cent but that increase included the effects of changes in rates of duty estimated to yield an additional \$92,000,000 in 1970-71, partly offset by the introduction of a scheme of weekly settlement of duties which is estimated to have reduced receipts by \$13,600,000. After allowing for the effects of the measures announced in the Budget Speech it is estimated that collections will increase by \$129,196,000 to \$1,182,500,000 in 1971-72.

The main components of the estimate for 1971-72 are as follows:—

	1970-71 Preliminary	1971-72 Estimate	Increase
	\$'000	\$'000	\$'000
Beer .. .. .	382,479	399,422	16,943
Tobacco Products .. .. .	272,483	306,335	33,852
Motor Spirit .. .. .	314,900	371,253	56,353
Other .. .. .	83,442	105,490	22,048
	1,053,304	1,182,500	129,196

**Sales Tax.** The estimate of sales tax collections in 1971-72 is based on the assumption that the value of sales of goods subject to sales tax will increase at much the same rate in 1971-72 as it did in 1970-71. On the basis of existing legislation, it is estimated that sales tax collections will increase by \$61,841,000 or 9.8 per cent to \$695,000,000. This follows an increase of \$65,800,000 or 11.6 per cent in 1970-71 which included the effects of the increase in sales tax rates introduced in that year.

**Income Tax—Individuals.** It is estimated that, on the basis of existing legislation, collections of income tax from individuals in 1971-72 would increase by \$416,863,000, or 13.1 per cent, to \$3,595,000,000.

(a) **Pay-as-you-earn Instalment Deductions.** On the basis of existing legislation, gross pay-as-you-earn instalment deductions in 1971-72 are estimated at \$3,440,000,000 or \$500,927,000 more than in 1970-71. In 1970-71 average weekly earnings increased by more than 10 per cent and the average number of employees in terms of 'male units' by about 3.3 per cent. For the purpose of estimating pay-as-you-earn collections, an increase of 9 per cent has been assumed as the increase in average earnings for 1971-72. 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 average number of employees in 1971-72 is assumed to be 3.2 per cent, a little below that experienced in 1970-71, reflecting a slackening in the net migration intake including announced reductions in the number of assisted passage migrants in 1971-72. A considerable part of the increase of \$127,989,000 in estimated refunds of tax instalment deductions in 1971-72 is due to the fact that the



instalment deductions schedule incorporating the reduced income tax rates announced in the 1970-71 Budget did not apply until 1 October 1970, with the result that instalments were deducted at 1969-70 rates during part of 1970-71. After allowing for this increase in refunds, net pay-as-you-earn collections at existing rates of taxation are estimated to increase by \$372,938,000 to \$2,805,000,000.

- (b) *Other.* On the basis of existing legislation, collection on assessments of individuals are estimated to increase by \$43,925,000 to \$790,000,000 in 1971-72. The overall increase in the 1970-71 incomes of individuals subject to provisional tax has been held down by an estimated further decline of 16 per cent in the business incomes of primary producers in 1970-71. The incomes of other individuals subject to provisional tax are estimated to have increased by 6.5 per cent in 1970-71. These 1970-71 incomes are, of course, subject to provisional tax in 1971-72.

Net income tax collections from individuals at existing rates of tax are, therefore, estimated at \$3,595,000,000, an increase of \$416,863,000 on 1970-71. The increase in the rates of income tax on individuals and the changes in concessional deductions announced in the Budget Speech are estimated to result in a net increase in revenue of \$67,595,000 in 1971-72. After allowing for these measures, it is estimated that income tax collections from individuals will increase by \$484,458,000 to \$3,662,595,000 in 1971-72.

*Income Tax—Companies.* Incomes of companies in 1970-71, which are subject to tax in 1971-72, are estimated to have increased by only 4 per cent following an increase of about 16 per cent in 1969-70. At existing rates of tax, collections of income tax from companies in 1971-72 are estimated at \$1,490,000,000, an increase of \$94,611,000. The rate changes announced in the Budget Speech are estimated to increase income tax revenue from companies in 1971-72 by \$24,000,000 to \$1,514,000,000.

*Pay-roll Tax.* On the basis of the assumed movements in employment and average weekly earnings adopted for the estimate of gross pay-as-you-earn collections, it is estimated that, in the absence of the agreement to transfer pay-roll tax to the States as from a date to be determined in 1971-72, gross pay-roll tax collections would increase by \$59,572,000 to \$355,000,000 in 1971-72. On the assumption that the transfer of pay-roll tax to the States will take effect from 1 September 1971, Commonwealth pay-roll tax collections are estimated to total \$96,000,000 in 1971-72. The Commonwealth will continue to levy pay-roll tax in its own Territories at the existing rate of 2.5 per cent.

Following the transfer of pay-roll tax to the States, the Commonwealth will continue to assist industry through an export incentive scheme in respect of 1971-72 and 1972-73 exports on the basis of direct Commonwealth payments rather than through the rebate of pay-roll tax. Figures in the Statements have been adjusted to this new basis and now include refunds of pay-roll tax rebates as expenditures rather than as reductions in revenues as was formerly the case.

*Estate Duty.* After a decrease of \$1,259,000 in 1970-71 it is estimated that collections of estate duty will increase by \$7,927,000 to \$78,000,000 reflecting the expected growth in the value of estate duty returns available for assessment.

*Stamp Duty (A.C.T. and N.T.).* At existing rates, stamp duty revenues in the Territories are estimated to total \$3,150,000 in 1971-72, an increase of \$499,000.



OTHER REVENUE

	1969-70 Actual(a)	1970-71 Actual(a)	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
Parliament .. .. .	1	3	3	
Attorney-General's .. .. .	4,241	4,883	5,381	+ 498
Civil Aviation—				
Australian National Airlines Commission—Payment in the nature of a dividend .. .. .	1,125	1,275	1,500	+ 225
Qantas Airways Limited—Dividend .. .. .	2,955	3,940	2,955	- 985
Air Navigation Charges .. .. .	15,566	20,171	22,650	+ 2,479
Other .. .. .	4,875	7,266	8,740	+ 1,474
Customs and Excise .. .. .	3,466	1,659	2,500	+ 841
Education and Science .. .. .	418	602	192	- 410
Environment, Aborigines and the Arts .. .. .	587	292	684	+ 392
External Territories .. .. .	1,623	1,121	988	- 133
Foreign Affairs .. .. .	926	867	728	- 140
Health .. .. .	563	646	625	- 21
Housing—				
War Service Homes—Repayments of interest and principal .. .. .	77,432	77,853	78,000	+ 147
Other .. .. .	701	930	845	- 85
Immigration .. .. .	2,829	2,902	2,769	- 133
Interior .. .. .	13,382	12,355	32,724	+ 20,369
Labour and National Service—				
Stevedoring Industry Charge .. .. .	13,801	13,242	16,600	+ 3,358
Other .. .. .	61	161	96	- 65
National Development—				
Snowy Mountains Hydro-electric Authority—				
Interest .. .. .	21,238	30,182	32,698	+ 2,516
Principal .. .. .	2,268	3,346	3,662	+ 316
Other .. .. .	1,932	1,721	1,820	+ 99
Postmaster-General's—				
Broadcasting and Television Licence Fees and Charges .. .. .	51,531	53,133	65,620	+ 12,487
Primary Industry—				
War Service Land Settlement—				
Interest, rent, repayments and other .. .. .	11,079	5,931	5,400	- 531
Wool Tax .. .. .	14,028	5,567	5,500	- 67
Butter Fat Levy .. .. .	2,189	2,184	2,410	+ 226
Livestock Slaughter Levy—				
Cattle .. .. .	1,557	1,811	2,340	+ 529
Sheep and Lambs .. .. .	1,229	1,409	1,770	+ 361
Pigs .. .. .			160	+ 160
Poultry Industry Levy .. .. .	11,117	12,819	12,830	+ 11
Other .. .. .	3,703	4,578	5,588	+ 1,010
Prime Minister and Cabinet .. .. .	607	603	597	- 6
Repatriation .. .. .	2,583	2,509	2,343	- 166
Shipping and Transport—				
Commonwealth Railways—Net receipts .. .. .	6,029	5,904	7,685	+ 1,781
Other .. .. .	13,130	17,710	16,592	- 1,118
Social Services .. .. .	325	282	232	- 50
Trade and Industry .. .. .	93	1,332	1,570	+ 238
Treasury—				
Reserve Bank of Australia .. .. .	26,555	41,568	60,000	+ 18,432
Commonwealth Banking Corporation .. .. .	2,808	3,824	5,660	+ 1,836
Investments of General Trust Fund—Interest and profit .. .. .	1,072	1,026	650	- 376
Unrequited balances of Trust Accounts .. .. .	513	8,937	536	- 8,401
International Monetary Fund—Distribution of Net Income and Remuneration .. .. .	3,077	2,251	600	- 1,651
Overseas Telecommunications Commission—				
Payment in the nature of a dividend .. .. .	6,475	7,354	2,186	- 5,168
Payment by Post Office of interest on capital .. .. .	106,354	123,651	141,800	+ 18,149
Offshore Petroleum Royalties .. .. .	475	5,016	7,400	+ 2,384
Repayments of principal from—				
Australian National Airlines Commission .. .. .	7,293	7,788	9,252	+ 1,464
Qantas Airways Limited .. .. .	19,913	19,801	25,240	+ 5,439
Interest on Wheat Board Advances .. .. .		5,774	4,430	- 1,344
Other .. .. .	18,081	24,356	29,536	+ 5,180
Works .. .. .	13,404	17,071	13,627	- 3,444
Defence .. .. .	1	484		- 484
Navy .. .. .	4,187	3,096	3,845	+ 749
Army .. .. .	3,535	3,448	2,725	- 723
Air .. .. .	2,837	2,777	2,213	- 564
Supply—				
Repayments from United Kingdom—Weapons Research Establishment .. .. .	7,448	5,540	6,426	+ 886
Other .. .. .	16,643	19,079	14,332	- 4,747
Territories Revenue—				
Australian Capital Territory .. .. .	28,656	38,613	46,158	+ 7,546
Northern Territory .. .. .	12,678	20,468	18,027	- 2,441
Cocos and Christmas Islands .. .. .	473	531	544	+ 13
<b>Total Other Revenue .. .. .</b>	<b>571,667</b>	<b>663,638</b>	<b>741,982</b>	<b>+ 78,344</b>

(a) Some of the figures for 1969-70 and 1970-71 have been adjusted for accounting changes to place them on a basis comparable with the estimates for 1971-72.

Other revenue is estimated to increase by \$78,344,000 in 1971-72. Brief explanations of the larger variations are contained in the following notes.



*Civil Aviation*

*Air Navigation Charges.* Collections are estimated to increase by \$2,479,000 in 1971-72 as a result of growth in air traffic and the full year effects of increased charges applicable from 1 January 1971.

*Other.* The estimated increase of \$1,474,000 relates mainly to an expected increase in receipts from site and building rentals following the occupation of terminal areas and maintenance bases at Tullamarine by the domestic operators.

*Interior*

Interior revenues are estimated to increase by \$20,369,000. This increase includes an amount of \$16,700,000 relating to the transfer of Navy land at Woolloomooloo, N.S.W., on which it is planned to build Commonwealth offices. An equal amount is included in the expenditure estimates under the Department of the Interior acquisition programme. Sales of property and material to State Governments, the C.S.I.R.O. and the Department of the Army also contribute to the increase.

*Labour and National Service*

*Stevedoring Industry Charge.* The proceeds of the stevedoring industry charge are paid to the Australian Stevedoring Industry Authority. The estimated increase of \$3,358,000 results from increased charges effective from June 1971.

*National Development*

*Snowy Mountains Hydro-electric Authority—Interest and Principal.* Receipts of interest and repayments of principal from the Snowy Mountains Hydro-electric Authority are estimated to increase by \$2,516,000 and \$316,000 respectively in 1971-72 mainly as a result of bringing to account capital expenditure on the Blowering Dam and the first phase of the Tumut 3 project.

*Postmaster-General's*

*Broadcasting and Television Licence Fees and Charges.* The estimated increase of \$12,487,000 in 1971-72 includes additional revenue of \$11,937,000 from broadcasting listeners' and television viewers' licence fees. The increases in these fees announced in the Budget Speech are estimated to add \$11,000,000 to revenue in 1971-72.

*Primary Industry*

*Livestock Slaughter Levies.* The estimated increase of \$890,000 in collections of these levies on cattle and sheep and lambs in 1971-72 reflects the higher rates of levy operative from 1 February 1971.

*Shipping and Transport*

*Commonwealth Railways—Net Receipts.* Net receipts of the Commonwealth Railways are estimated to increase by \$1,781,000. Gross receipts are estimated to be \$3,222,000 greater than in 1970-71 as a result of an increase in traffic and increases in some fares and freight rates. Working expenses are however estimated to increase by \$1,441,000 mainly because of higher wage and salary payments.

*Other.* The estimated net decrease of \$1,118,000 reflects a reduction of \$3,000,000 in the repayment of loans by the Australian Coastal Shipping Commission. Receipts in connection with State railway projects are estimated to increase by \$1,156,000. Receipts from light dues are estimated to increase by \$624,000, of which \$480,000 relates to the increased dues announced in the Budget Speech.



*Treasury*

*Reserve Bank.* Payments to Consolidated Revenue of Reserve Bank profits are estimated to increase by \$18,432,000 in 1971-72.

*Commonwealth Banking Corporation.* It is estimated that \$5,660,000 of Commonwealth Trading Bank and Commonwealth Savings Bank profits will be paid to Consolidated Revenue in 1971-72, an increase of \$1,836,000 on the previous year.

*Unrequired Balances of Trust Fund.* In 1970-71 the Canadian Loan Trust Account was closed and the unrequired balance of the account was transferred to the Consolidated Revenue Fund. No transactions of similar magnitude are expected in 1971-72 with the result that revenues from this source are estimated to be \$8,401,000 less than in 1970-71.

*Distribution of International Monetary Fund Net Income.* In 1970-71 Australia received \$851,000 as its share of the net income of the International Monetary Fund for the year ended 30 April 1970 and \$1,400,000 in remuneration as a 'net creditor' for the twelve months ended 30 April 1971. In 1971-72 the Australian share of net income is estimated at \$400,000 and \$200,000 is expected by way of remuneration.

*Overseas Telecommunications Commission—Payment in the Nature of a Dividend.* Recent amendments to the Overseas Telecommunications Act make the Commission subject to the payment of income tax on its profits and provide for a dividend payment on equity capital. In the previous year, pending amendment of the Act, the Commission made a payment to Treasury in lieu of both dividend and taxation whereas the payment in 1971-72 will be in respect of dividend only with income tax paid separately. This factor accounts for most of the decrease of \$5,168,000 under this heading in 1971-72.

*Post Office—Interest on Capital.* It is estimated that, as a result of higher interest rates and the increase in the amount of capital advanced to the Post Office, interest received from the Post Office will increase by \$18,149,000 in 1971-72.

*Offshore Petroleum Royalties.* The Commonwealth's share of royalties on production in Bass Strait is estimated to increase by \$2,384,000 as the production from the Bass Strait fields increases.

*Interest on Wheat Board Advances.* Interest payable on funds advanced to the Australian Wheat Board is estimated to decrease by \$1,344,000 because of an expected decline in the net advance outstanding to the Wheat Board over 1971-72.

*Repayments of Principal—Australian National Airlines Commission and Qantas Airways Limited.* Repayments of principal by the Australian National Airlines Commission are estimated to increase by \$1,464,000 in 1971-72 while repayments by Qantas are estimated to be \$5,439,000 greater reflecting loans drawn in 1970-71 under re-equipment programmes.

*Other.* The increase of \$5,180,000 in other receipts of the Department of the Treasury relates mainly to higher interest and principal repayments in respect of various advances to the States.

*Works*

During 1970-71 unrequired balances totalling \$2,248,000 were paid to the Consolidated Revenue Fund in anticipation of the closure of the Works Suspense Trust Account. Payments of a similar magnitude are not estimated to occur in 1971-72. Revenues from services provided to the Papua New Guinea Administration and the Commonwealth Banking Corporation are estimated to decrease by \$675,000. Other minor reductions in estimated revenue bring the total estimated reduction in 1971-72 to \$3,444,000.

*Supply*

*Other.* The decrease of \$4,747,000 in revenue under this heading results mainly from reduced proceeds from disposals sales and lower receipts from recoverable services and accommodation charges.



*Territories*

*Australian Capital Territory.* Of the estimated increase in revenue of \$7,546,000 from the Australian Capital Territory, the principal components are \$3,289,000 from sales of residential and commercial leases and \$3,525,000 from general rates resulting from the new land tenure arrangements, the increase in rate for 1971-72 and the greater number of rate-payers in the A.C.T. It is estimated that there will be an offsetting decrease of \$660,000 in land rents. Increased revenue of \$934,000 is expected from interest and principal repayments on advances to the Australian Capital Territory Housing Commissioner.

*Northern Territory.* In 1970-71 hostels in the Northern Territory valued at \$2,853,000 were transferred to the Department of Labour and National Service. As no similar transactions are expected in 1971-72 this factor accounts for most of the net decrease of \$2,441,000 in Northern Territory revenues. Other reductions include \$490,000 in repayments of advances by the Northern Territory Housing Commission, due to the receipt of \$848,000 in 1970-71 which should have been paid in the previous year; \$319,000 in interest and principal repayments by the Darwin Port Authority because payments for both 1969-70 and 1970-71 were received in 1970-71; and \$236,000 in land rentals within the Darwin and Alice Springs municipal areas arising from a new land tenure system, under which land rentals in these areas were abolished from 1 January 1971 and 1 July 1971, respectively. Revenue from the Northern Territory Electricity Authority is estimated to increase by \$923,000 in 1971-72.

## RECEIPTS OF NATIONAL DEBT SINKING FUND

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

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>Commonwealth—</b>				
Contribution from Consolidated Revenue Fund .. .. .	26,351	21,061	18,033	- 3,028
Interest on investments(a) .. .. .	4,213	2,753	1,177	- 1,576
Repayments of Loan Fund advances for housing .. .. .	14,151	15,182	16,200	+ 1,018
Other repayments(b) .. .. .	3,640	1,980	2,067	+ 87
	48,354	40,976	37,477	- 3,499
<b>States—</b>				
Contributions by Commonwealth .. .. .	23,271	24,550	25,689	+ 1,139
Contributions by States .. .. .	83,796	90,447	97,503	+ 7,056
Interest on investments .. .. .	843	70	80	+ 10
<b>Total Receipts(a)(b) .. .. .</b>	<b>156,264</b>	<b>156,043</b>	<b>160,749</b>	<b>+ 4,706</b>

(a) Excludes profits or losses from realisation of investments. In 1970-71 profits from realisation of investments amounted to \$215,000.

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

*Commonwealth*

*Contribution from Consolidated Revenue and Interest on Investment.* The percentage contribution from the Consolidated Revenue Fund to the National Debt Sinking Fund and the interest income of the Sinking Fund are estimated to total \$19,210,000 in 1971-72, \$4,604,000 less than in 1970-71. This amount is equal to 4 per cent on the net Commonwealth debt at 30 June 1971 subject to contribution under the provisions of the National Debt Sinking Fund Act 1966-67. Net Commonwealth debt on which the 4 per cent contribution is estimated, declined by \$120,500,000 during 1970-71 due mainly to cancellations



of \$206,600,000 by the Loan Consolidation and Investment Reserve which were partly offset by the net increase in Treasury Notes of \$83,200,000. The National Debt Sinking Fund Act 1966-67 also provides for the contribution from the Consolidated Revenue Fund to be reduced by an amount equal to income from investments (including profit or losses from realisation of investments) which is estimated to be \$1,791,000 lower than in 1970-71.

*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 \$1,018,000 greater in 1971-72 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. In total, these repayments are estimated to increase by \$87,000 in 1971-72.

#### *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 \$8,195,000 greater in 1971-72.

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

The net increase in other balances of the Commonwealth in the Trust Fund in 1971-72 is estimated to be \$34,890,000 greater than the increase in 1970-71, largely due to an estimated increase of \$17,465,000 in interest on investments held by the Loan Consolidation and Investment Reserve. In 1970-71 expenditures by the Munitions Factories and Supply Trust Accounts exceeded receipts so that the net balances held were reduced by \$8,307,000. No similar reduction is estimated to occur in 1971-72.



## STATEMENT No. 6—BUDGET RESULT, 1970-71

## SUMMARY

The Budget estimates and outcome for 1970-71, in conventional terms, are summarised in the following table:

	1970-71 Budget Estimate(a)	1970-71 Actual	Change on Budget Estimate	
			\$ million	Per cent
Expenditures .. .. .	\$ million 7,925	\$ million 8,106	+ 181	+ 2.3
Receipts .. .. .	7,929	8,030	+ 101	+ 1.3
Deficit (-) or Surplus (+) ..	+ 4	- 75	- 79	..

(a) The figures shown above for the 1970-71 Budget estimates of expenditures and receipts each include \$42 million not included in figures published in the Statements attached to the 1970-71 Budget Speech because export incentives have now been included as expenditures rather than offset against taxation revenues. The estimate of the deficit is not affected. This and other accounting changes are reflected in the tables of expenditures and receipts set out in later sections of this Statement.

The outcome of the 1970-71 Budget was significantly affected by large increases in wage and salary payments during the year and by other unforeseen expenditure commitments, including the payment to the States of \$60 million to compensate them for the loss of their receipts duty revenues.

In early February 1971 it was estimated that Commonwealth expenditures in 1970-71 would exceed the Budget estimates by \$250 million(a). In the prevailing economic circumstances this estimated increase was considered excessive and a policy of restraint across a broad range of expenditures, intended to reduce estimated expenditures as they then stood by \$75 million, was adopted by the Government. Details of proposed reductions were announced to Parliament on 16 February 1971. The larger proposed reductions in estimated expenditures included \$22 million in defence services, \$14 million in advances for capital purposes (\$10 million of which related to the Post Office), and \$9 million each in departmental running expenses and payments to industry. No reductions were made, however, in payments to the States. In fact, in recognition of the abnormal budget difficulties being faced by the States, the Commonwealth agreed in April 1971 to the provision of special additional revenue assistance of \$43 million on condition that this was used by the States to finance their deficits and not to increase expenditures on goods and services. However, despite this additional payment and increases in the rates of pensions, actual expenditures exceeded the Budget estimates for 1970-71 by only \$181 million, that is, by \$69 million less than was estimated in February before the expenditure reduction measures.(a)

(a) Adjusted for accounting changes introduced in the 1971-72 Budget estimates. On the 1970-71 basis, it was estimated in February 1971 that expenditures would exceed the Budget estimates by \$242 million. On that basis the actual excess of expenditures over the Budget estimates was \$175 million or \$67 million less than was estimated in February 1971.



**EXPENDITURES**

The Budget estimates for 1970-71 are compared with actual expenditures for that year in the following table. All items, apart from payments to or for the States and debt charges, were affected by the reductions in estimated expenditure announced in February 1971.

	1970-71 Budget Estimate	1970-71 Actual	Change on Budget Estimate	
	\$ million	\$ million	\$ million	Per cent
Defence Services(a)(b) .. .. .	1,134	1,135	+ 1	+ 0.1
Payments to or for the States and Works and Housing Programmes .. .. .	2,708	2,843	+ 135	+ 5.0
National Welfare Fund .. .. .	1,473	1,477	+ 4	+ 0.3
Repatriation Services .. .. .	313	315	+ 2	+ 0.5
Debt Charges .. .. .	104	108	+ 4	+ 3.8
Departmental Running Expenses(b) .. .. .	513	544	+ 31	+ 6.1
Territories (excluding Papua New Guinea) .. .. .	96	100	+ 4	+ 3.7
External Economic Aid (including Papua New Guinea) .. .. .	166	163	- 3	- 1.9
Commonwealth Payments to Industry(b) .. .. .	314	317	+ 3	+ 1.0
Other Expenditures .. .. .	413	415	+ 2	+ 0.6
Advances for Capital Purposes(b) .. .. .	443	448	+ 6	+ 1.3
Other Capital Works and Services(b) .. .. .	248	240	- 8	- 3.1
<b>Total Expenditures(b) .. .. .</b>	<b>7,925</b>	<b>8,106</b>	<b>+ 181</b>	<b>+ 2.3</b>

(a) The Budget estimate for 1970-71 included \$78 million for payments to be financed under credit arrangements with the United States of America; the actual amount financed from this source was \$57 million.  
 (b) The estimates for these items differ from those shown in the Statements attached to the 1970-71 Budget Speech because of accounting changes introduced in the 1971-72 Budget.

The main variations from the Budget estimates were as follows:

**Defence Services**

Total expenditure on defence services exceeded the Budget estimate by \$1 million. Service pay and civil salaries were \$33 million greater than the Budget estimate, largely as a result of arbitration and other wage and salary determinations made after the Budget was presented. Against this, there were short-falls in other areas of expenditure, which resulted in part from the measures taken by the Government in February 1971 to reduce estimated Commonwealth expenditures. Actual expenditure on equipment and stores for the RAN and RAAF was \$14 million less than the Budget estimate. Mainly because of the deferment of certain projects and some re-scheduling of payments, expenditure on the purchase, manufacture and lease of aircraft for the RAAF was \$8 million less than the estimate. Expenditure on naval construction, which was affected by lags in delivery of equipment, was \$4 million less than estimated.

**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 \$133 million greater than the Budget estimate. General revenue grants exceeded the Budget estimate by \$145 million, \$60 million of which reflected receipts duty compensation payments, which the Commonwealth agreed to provide following the cessation of duty on monies received after 30 September 1970. The operation of the financial assistance grants formula resulted in an increase of \$38 million in these grants over the Budget estimates, mainly because average wages in the year ended March 1971 increased by more than had



been assumed. Additional revenue assistance of \$43 million, for which no allowance had been included in the Budget, was also provided to the States to assist them with budgetary difficulties arising in large part from abnormally large increases in wage and salary costs.

Specific purpose payments of a revenue nature were a net \$5 million greater than the Budget estimate, mainly because natural disaster relief payments, particularly drought relief payments to Queensland, were greater than estimated.

Specific purpose payments of a capital nature fell short of the Budget estimate by a net \$14 million. Capital payments to the States for education purposes were \$15 million less than the estimate. Although payments for school libraries exceeded the Budget estimate by \$4 million there were short-falls of \$9 million in payments for teachers' colleges, \$4 million for universities and \$4 million for colleges of advanced education. Payments to the States for railway projects were \$3 million less than the Budget estimate. Natural disaster relief payments of a capital nature for flood relief were \$5 million; no provision was made in the Budget for these payments.

#### *National Welfare Fund*

Payments to the National Welfare Fund exceeded the estimate by a net \$4 million. Expenditure on national health services was \$4 million greater than estimated, largely because of increased pharmaceutical benefits payments, which exceeded the estimate by \$6 million. Payments to public hospitals for pensioners fell short of the estimate by \$3 million and medical benefits were \$2 million less.

Although pension rate increases were announced in March 1971 expenditure on age and invalid pensions fell short of the Budget estimate by \$5 million. Expenditure on unemployment and sickness benefits exceeded the estimate by \$3 million.

#### *Repatriation Services*

Largely because of the increased cost of providing services at repatriation hospitals and institutions, expenditure on repatriation services exceeded the Budget estimate by \$2 million.

#### *Debt Charges*

Expenditure on debt charges exceeded the Budget estimate by a net \$4 million, mainly because of the interest payments arising from the very large amounts of Treasury Notes on issue during much of 1970-71.

#### *Departmental Running Expenses and Territories (excluding Papua New Guinea)*

Departmental running expenses were \$31 million greater than estimated—\$27 million of this amount related to wages and salaries. During 1970-71 there were substantial increases in wage and salary rates arising from arbitration and other determinations brought down after the Budget was presented. Similar factors account for much of the increase in expenditure for the Territories, which exceeded the Budget estimate by \$4 million.

#### *Commonwealth Payments to Industry*

These payments exceeded the Budget estimate by a net \$3 million. Payments to manufacturing industry were \$9 million greater than estimated, the main factors being the provision of \$6 million more than estimated for pay-roll tax rebates under the export incentives scheme and \$1 million more for the net ship-building subsidy. Payments to rural industries were a net \$5 million less than estimated. There were short-falls of \$9 million in emergency assistance payments to woolgrowers and \$5 million in expenditure on the phosphate fertilizers bounty. Payments of \$6 million were made to assist the canned deciduous fruits industry and an initial \$4 million was provided for the rural reconstruction scheme; no provision had been made in the Budget for these expenditures.



*Advances for Capital Purposes*

Advances for capital purposes exceeded the Budget estimate by a net \$6 million. Initial working capital advances to the Australian Wool Commission, for which no provision had been included in the Budget, totalled \$12 million. The advance to the Post Office was \$7 million greater than estimated mainly because of increased wage and other costs during 1970-71. Advances to Qantas Airways Limited were \$14 million less than estimated because of revisions to the expenditure programme relating to aircraft re-equipment.

*Other Capital Works and Services*

Expenditures on other capital works and services were a net \$8 million less than the Budget estimate. In total, civil works expenditures were a net \$3 million less than the estimate partly because of revisions to the programme in the latter part of 1970-71. The largest shortfall in the civil works programme was \$8 million, which related to Northern Territory buildings and works projects. Expenditure on civil works for the Department of Civil Aviation was, however, \$9 million greater than the estimate. Outside the civil works programme, expenditure on Commonwealth railway projects fell short of the Budget estimate by \$3 million.

**RECEIPTS**

Actual receipts in 1970-71 and the Budget estimates for that year are set out in the following table:

	1970-71 Budget Estimate(a)	1970-71 Actual	Change on Budget Estimate	
	\$ million	\$ million	\$ million	Per cent
<b>Taxation Revenue—</b>				
Customs Duty .. .. .	463	466	+ 3	+ 0.6
Excise Duty .. .. .	1,080	1,053	- 27	- 2.5
Sales Tax .. .. .	645	633	- 12	- 1.8
<b>Income Tax—</b>				
Individuals—Gross P.A.Y.E. .. .. .	2,785	2,939	+ 155	+ 5.6
Less Refunds .. .. .	510	507	- 3	- 0.6
Net P.A.Y.E. .. .. .	2,275	2,432	+ 158	+ 6.9
Other .. .. .	762	746	- 15	- 2.0
Companies .. .. .	1,401	1,395	- 6	- 0.4
<b>Withholding Tax—</b>				
Dividends .. .. .	40	36	- 4	-10.1
Interest .. .. .	10	12	+ 2	+17.3
Pay-roll Tax .. .. .	294	295	+ 1	+ 0.5
Estate Duty .. .. .	65	70	+ 5	+ 7.8
Gift Duty .. .. .	9	8	- 1	- 8.3
Stamp Duty (A.C.T. and N.T.) .. .. .	3	3	..	..
<b>Total Taxation Revenue .. .. .</b>	<b>7,045</b>	<b>7,150</b>	<b>+ 105</b>	<b>+ 1.5</b>
Other Revenue .. .. .	643	664	+ 21	+ 3.3
National Debt Sinking Fund .. .. .	157	156	- 1	- 0.6
Net Increase in other balances of the Commonwealth in the Trust Fund .. .. .	84	61	- 23	-27.9
<b>Total Receipts .. .. .</b>	<b>7,929</b>	<b>8,030</b>	<b>+ 101</b>	<b>+ 1.3</b>

(a) Some of the Budget estimates for 1970-71 differ from those shown in the Statements attached to the 1970-71 Budget Speech because of accounting changes introduced in the 1971-72 Budget.



The main variations from the Budget estimates were:

#### *Customs Duty*

Collections of customs duty exceeded the Budget estimate by \$3 million because dutiable imports were greater than had been estimated at the time of the Budget.

#### *Excise Duty*

Collections of excise duty fell short of the Budget estimate by \$27 million. The introduction of a system of weekly settlement of excise duties account for \$14 million of the short-fall in excise collections. Clearances of wine, beer, tobacco and motor spirit fell short of Budget estimates.

#### *Sales Tax*

Sales tax collections fell short of the Budget estimate by \$12 million. This short-fall related mainly to lower than estimated sales of motor vehicles.

#### *Income Tax—Individuals—Pay-as-you-Earn*

Largely because the increase in average earnings substantially exceeded the Budget assumptions, gross collections of P.A.Y.E. instalment deductions exceeded the Budget estimate by \$155 million. As refunds of P.A.Y.E. collections were \$3 million less than estimated, net P.A.Y.E. collections exceeded the Budget estimate by \$158 million.

#### *Income Tax—Individuals—Collections on Assessments*

Collections on assessments of income tax on individuals fell short of the Budget estimate by \$15 million, despite business incomes in 1969-70 (assessed to tax in 1970-71) having been slightly higher overall than was estimated. Collection rates were lower than had been expected at the time of the Budget.

#### *Income Tax—Companies*

Income tax receipts from companies were \$6 million less than the Budget estimate, because the collection rate was somewhat lower than anticipated.

#### *Pay-roll Tax*

Although the increase in average earnings during the year exceeded by a substantial margin that assumed for the purpose of the estimates, pay-roll tax collections were only \$1 million more than the Budget estimate because collections of certain amounts of pay-roll tax were carried over into 1971-72.

#### *Estate Duty*

Collections of estate duty exceeded the Budget estimate by \$5 million mainly because of a greater than estimated increase in the number of assessments issued during 1970-71.

#### *Other Revenue*

Other revenue exceeded the Budget estimate by a net \$21 million. Unrequired balances of trust accounts shown under the Department of the Treasury exceeded the Budget estimate by \$8 million, largely because of the transfer to the Consolidated Revenue Fund of the balance remaining in the Canadian Loan Trust Account when this account was closed during 1970-71. Revenues from the Territories exceeded the Budget estimate by \$9 million. Australian Capital Territory revenues were \$6 million greater than estimated, largely because of increased receipts from land sales. Northern Territory revenues exceeded the Budget estimate by \$3 million. Receipts by the Department of Works were \$4 million greater than estimated.

The main short-falls in estimated revenues included \$4 million in repayments of interest and principal on war service homes loans and \$2 million in receipts from wool tax.



*Net Increase in other Balances of the Commonwealth in the Trust Fund*

Commonwealth balances in the Trust Fund increased by \$23 million less than had been estimated in the Budget. An amount of \$8 million was paid from the Canadian Loan Trust Account to the Consolidated Revenue Fund when the Trust Account was closed during 1970-71. No provision had been made for this transaction in the Budget estimates. The interest income of the Loan Consolidation and Investment Reserve was \$5 million less than estimated due largely to cancellation during the year of part of the Reserve's holdings of securities. The reduction in balances of the Munitions Factories and Supply Trust Accounts was \$5 million greater than estimated.

**FINANCING TRANSACTIONS**

The following is a summary of financing transactions in 1970-71:

	\$ million
Overseas—	
Net drawings under credit arrangements—	
Defence purchases in the United States of America .. .. .	7
Qantas and Australian National Airlines Commission .. .. .	20
Net proceeds of other overseas borrowings .. .. .	— 72
	— 46
Funds provided for International Monetary Fund .. .. .	— 37
Australia—	
Net proceeds of loan raisings in Australia(a) .. .. .	205
Net change in Treasury Notes on issue(b) .. .. .	18
Net repayment by Australian Wheat Board .. .. .	65
	288
Other financing transactions (net)(c) .. .. .	27
Residual financing—	
Use of cash balances(d) .. .. .	— 157
	75
<b>Total Financing Transactions .. .. .</b>	<b>75</b>

(a) Includes State domestic loan raisings.  
 (b) Includes Treasury Notes issued to the Reserve Bank to finance advances 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.  
 (d) A negative sign signifies an increase in cash balances.

Some details of these financing transactions in 1970-71 are given below:

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

The *Loan (Defence) Acts* of 1966, 1968 and 1970 authorised the Commonwealth to finance defence equipment purchases in the United States of America on extended payment terms. In 1970-71 drawings against these arrangements totalled \$64 million. Repayments of previous drawings amounted to \$57 million.

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

Drawings on aircraft loans arranged on behalf of Qantas Airways Limited and the Australian National Airlines Commission amounted to \$47 million, exceeding repayments of previous drawings by \$20 million.



*Net Proceeds of Other Overseas Borrowings*

A loan raised in Netherlands guilders yielded \$15 million. However, redemptions and other expenditure on the reduction of debt overseas, totalling \$87 million, exceeded this amount by \$72 million. One maturity in London was paid off at a cost of \$22 million and maturities in New York and Canada were paid off at a cost of \$11 million and \$7 million, respectively. Securities to the value of \$19 million in New York and \$10 million in London were repurchased. Repayments of \$16 million were also made on borrowings from the International Bank for Reconstruction and Development and \$1 million was repaid on borrowings from the Netherlands and Canada.

*Funds provided for the International Monetary Fund*

Under the *International Monetary Agreements Act 1970* Australia subscribed \$147 million to the International Monetary Fund in 1970-71 to meet an equivalent increase in its quota at the Fund. Finance was provided from the Budget for \$37 million of this subscription, which was paid in gold; the remainder was paid in non-negotiable, non-interest bearing notes.

*Net Proceeds of Loan Raisings in Australia*

Four Commonwealth public cash loans were raised in Australia in 1970-71. After excluding loan proceeds from advance subscriptions received before 30 June 1970 but including receipts from outstanding instalments and advance subscriptions received up to 30 June 1971, the proceeds from these cash loans totalled \$522 million. Cash proceeds from the sale of Special Bonds during the year totalled \$233 million. Proceeds of \$15 million from State domestic loan raisings brought total cash proceeds from loans raised in Australia to \$770 million.

Of the \$978 million of securities (other than Special Bonds) maturing in Australia which were offered for conversion in 1970-71, an amount of \$386 million was redeemed. Redemptions of Special Bonds of all series amounted to \$162 million. In addition, there were redemptions of \$1 million of Drought Bonds. Other redemptions, market repurchases and contractual repayments in Australia amounted to \$17 million. Total redemptions and repurchases in Australia were, therefore, \$566 million, so that the net proceeds of loans raised in Australia in 1970-71 were \$205 million.

*Net Change in Treasury Notes on Issue*

At 30 June 1971 Treasury Notes on issue amounted to \$270 million, a net increase of \$18 million on the amount on issue at 30 June 1970. There was a net decrease of \$65 million in Treasury Notes involved in the provision of finance to the Australian Wheat Board, while other Treasury Notes on issue increased by a net \$83 million.

*Net Advance to the Australian Wheat Board*

An advance of \$190 million was made to the Wheat Board in March 1971 to finance its repayments in respect of the 1969-70 wheat crop to the Rural Credits Department of the Reserve Bank. This advance was financed by the issue of \$190 million in Treasury Notes to the Reserve Bank. Repayments received from the Wheat Board during 1970-71 totalled \$255 million, including repayment of \$184 million outstanding at 30 June 1970. These repayments were applied to the redemption of Treasury Notes.

*Other Financing Transactions*

An amount of \$27 million was available from these transactions. The largest item was an amount of \$17 million in respect of coinage transactions, part of which related to the sale overseas of silver recovered from withdrawn coin.

*Residual Financing*

The amount available from the financing transactions mentioned above exceeded the deficit by \$157 million, and this amount was added to Commonwealth cash balances.



## STATEMENT No. 7—COMMONWEALTH BUDGET TRANSACTIONS SINCE 1961-62

The tables shown later in this Statement set out Commonwealth Budget receipts and expenditure in both 'conventional' and national accounts form. Subject to the important qualifications outlined in the notes to the tables, the figures for earlier years are broadly consistent with the figures for 1970-71 and the estimates for 1971-72 outlined in Statements Nos. 1 to 6.

Tables 1 and 2 on pages 60 and 61 show Commonwealth expenditures, receipts and financing transactions in 'conventional' form for each year since 1961-62. This presentation is essentially a rearrangement of the transactions of the three Commonwealth Funds within the Public Account (Consolidated Revenue Fund, Loan Fund and Trust Fund).

Table 3 on pages 62 and 63 shows figures in national accounts form for each year since 1961-62. In this form, transfers between different parts of the Commonwealth's accounts are eliminated and additional detail included so that the figures shown relate to the transactions which occur between the Commonwealth Government and the rest of the economy or overseas. The national accounts figures therefore show government transactions classified into economically significant categories, corresponding with those for which similar information is presented in past years for the entire economy in the White Paper on National Income and Expenditure.

Over the 1960's, Commonwealth, State and local Governments in Australia have been faced with rapidly increasing demands for the many services which they provide, including such functions as defence, education, social welfare and health services. This has meant strong pressure on Governments to increase the share of available resources in the economy subject to their control. It is to be noted, however, that a large part of Government outlay is in the form of transfer payments, such as payments of pensions or subsidies, or in the form of advances to other sectors. The effect these transfers and advances have on the economy depends, of course, on the reactions of the recipients.

Over the period 1961-62 to 1970-71 the direct demands on resources by the public sector in Australia grew more rapidly than private sector spending or total spending in the economy. This is highlighted in the following table which compares the relative growth in public sector (Commonwealth, State and local Government) spending on goods and services with the growth in gross national expenditure and with the major components of private sector expenditures.

*Growth in Major Components of Gross National Expenditure(a)*

	Average Annual Rate of Increase 1961-62 to 1970-71	Proportion of Gross National Expenditure	
		1961-62	1970-71
	Per cent per annum	Per cent	Per cent
Public sector expenditure on goods and services—			
Current .. .. .	11.7	10.5	12.8
Capital .. .. .	8.6	9.4	8.8
Total .. .. .	10.3	19.9	21.6
Personal consumption expenditure .. .. .	7.9	65.1	57.4
Gross private fixed capital expenditure .. .. .	10.6	15.7	17.5
Gross national expenditure .. .. .	9.3	..	..

(a) Note.—Components do not add.



The preceding table shows that the main increase in total public sector expenditures has been in respect of current expenditures on goods and services. Capital expenditures by public authorities and enterprises have increased much less rapidly than private sector capital expenditure. The table also illustrates the fact that the main component of private sector demand which has grown more slowly than total expenditures in the economy, and which has, in a sense, provided scope for the more rapid increases in Government expenditures, is personal consumption expenditure. Personal consumption expenditure has shown an average annual rate of growth of only 7.9 per cent and has declined from 65.1 per cent of gross national expenditure in 1961-62 to 57.4 per cent in 1970-71.

It would be incorrect, however, to infer that the relative and absolute growth in the size of the public sector necessarily has led to an absolute or relative diminution in the welfare of persons. Indeed, the provision of many goods and services by the public sector, such as education and health facilities, may be seen as an important factor contributing to increasing standards for the Australian population as a whole. The relative growth in the size of the public sector may therefore be seen as, in part, a reflection of the importance which the community places on the facilities and services provided through the public sector.

The Commonwealth has contributed to the growth of public sector expenditures both directly through Budget expenditures and indirectly through the operation of its instrumentalities in the non-budget sector. The following table shows details of Commonwealth budget outlays as a proportion of gross national expenditure in 1961-62 and 1970-71.

	1961-62		1970-71	
	\$ million	Percentage of G.N.E.	\$ million	Percentage of G.N.E.
Net expenditure on goods and services—				
War and defence .. .. .	397	2.7	1,068	3.2
Other .. .. .	370	2.5	1,132	3.4
Total .. .. .	767	5.2	2,200	6.7
Transfer payments—				
Cash benefits to persons .. .. .	901	6.1	1,771	5.4
Grants to States .. .. .	800	5.4	2,207	6.7
Other .. .. .	474	3.2	1,105	3.3
Total .. .. .	2,175	14.7	5,083	15.4
Net advances—				
To States .. .. .	441	3.0	520	1.6
To Commonwealth authorities .. .. .	174	1.2	340	1.0
To other sectors .. .. .	64	0.4	47	0.1
Total .. .. .	679	4.6	907	2.7
Total Outlay .. .. .	3,620	24.5	8,190	24.8

A feature of these figures is the strong growth in Commonwealth budget outlays on goods and services which, over the period since 1961-62, have increased significantly more rapidly than gross national expenditure. In total, transfer payments and net advances grew less rapidly than gross national expenditure over the period.

The more significant areas of increase in Commonwealth expenditure responsibilities can most readily be indicated by reference to the 'conventional' budget classification.



Over the period 1961-62 to 1970-71 total Commonwealth expenditures have increased by \$4,532 million or at an average annual rate of 9.5 per cent. The following table summarises the main components in this overall increase.

	Increase 1961-62 to 1970-71		
	\$ million	Percentage of total increase	Average annual rate of increase per cent per annum
Payments to or for the States .. .. .	1,537	33.9	9.0
National Welfare Fund .. .. .	747	16.5	8.1
Defence Services .. .. .	726	16.0	12.0
Departmental Running Expenses .. .. .	375	8.3	13.9
Payments to Industry .. .. .	246	5.4	18.1
Repatriation Services .. .. .	124	2.7	5.7
External Economic Aid (including Papua New Guinea) .. .. .	108	2.4	12.9
Territories (excluding Papua New Guinea) .. .. .	74	1.6	16.3
All other .. .. .	595	13.1	7.8
<b>Total Expenditures .. .. .</b>	<b>4,532</b>	<b>100.0</b>	<b>9.5</b>

It may be noted that some expenditures which have been growing at a relatively slow annual rate have nevertheless made a major contribution to the absolute increase in total expenditures over the period. Thus, although Commonwealth payments to or for the States have increased at an average annual rate of 9.0 per cent, which is less than the rate of increase in total expenditures, these payments have contributed over one third of the total increase in expenditures during the period because they form such a large proportion of the total Commonwealth Budget. A proportion of these funds is provided for specific purposes, but the allocation of the larger part of them rests with the States. In the final analysis, these funds are in large part spent in areas which are primarily the responsibility of the States, including the provision of education and health services, the maintenance of law and order, and the construction of roads, water supply and sewerage facilities, and housing and land development projects.

Of the areas of primary Commonwealth responsibility, the main absolute growth in expenditures has been in respect of the provision of defence services and social service benefits provided via the National Welfare Fund. Each of these categories of expenditure has contributed about 16 per cent of the overall increase between 1961-62 and 1970-71. The relatively rapid increase in defence expenditures occurred largely in the middle years of the period when major re-equipment programmes were undertaken and when the strength of the forces was increased rapidly. The re-equipment programmes, which reached a peak in 1967-68, required heavy expenditure overseas and these were in part financed by defence credit arrangements made with the United States of America. National Welfare Fund payments have shown a steady increase over the period reflecting growth in the number of beneficiaries and increased and extended ranges of social service and health benefits. The rate of increase in these expenditures has accelerated in recent years following the introduction of the tapered means test and extensions of health services.

The other components of Commonwealth expenditure have had varying rates of growth. The expenditures exhibiting the most rapid rates of growth over the period were Commonwealth payments to industry (18.1 per cent per annum); expenditure on Commonwealth Territories (16.3 per cent per annum) and departmental running expenses (13.9 per cent per annum). At the lower end of the scale, expenditures on repatriation services have, despite substantial increases in benefit rates, grown slowly—by 5.7 per cent per annum—because of the relatively stable number of beneficiaries.



The increase of \$246 million or 18.1 per cent per annum in direct Commonwealth payments to industry reflects in particular the growing range of support provided to the rural sector in recent years. The rapid growth of Canberra and Darwin as centres of population is the main reason for the above average increase of 16.3 per cent per annum in expenditure on Commonwealth Territories.

Departmental running expenses have increased relatively rapidly at 13.9 per cent per annum, reflecting in large part the increases which have occurred in wage and salary rates over the period and a growth in the numbers of departmental employees which was, over the period as a whole, more rapid than the growth in total civilian wage and salary employment.

As a concomitant of the increase in the relative size of the public sector and in order to gain the resources necessary to meet expenditure demands, total public sector receipts have increased more rapidly than gross national expenditure. Total public sector current account revenues have, for example, increased at an average annual rate of 10.6 per cent compared with the average growth of 9.3 per cent per annum in gross national expenditure over the period 1961-62 to 1970-71.

Similarly, total Commonwealth Budget receipts, in national accounts terms, have increased by \$4,852 million or 10.7 per cent per annum over the period—rising from 22.1 per cent of gross national expenditure in 1961-62 to 24.6 per cent in 1970-71.

The composition of Commonwealth Budget receipts, in national accounts terms, in 1961-62 and 1970-71, together with the average annual rates of growth are shown in the following table.

	1961-62		1970-71		Average annual rate of increase 1961-62 to 1970-71 per cent per annum
	\$ million	Percentage of total	\$ million	Percentage of total	
Receipts—					
Taxation—					
Indirect taxes .. .. .	1,142	35.0	2,501	30.8	9.1
Income taxes on companies	582	17.8	1,444	17.8	10.6
Income taxes on persons—					
P.A.Y.E. .. .. .	654	20.0	2,432	30.0	15.7
Other .. .. .	420	12.9	743	9.2	6.5
Estate and Gift Duties ..	40	1.2	78	1.0	7.7
Other direct taxes, fees, fines, etc. .. .. .	25	0.8	47	0.6	7.2
Total Taxation .. .. .	2,862	87.7	7,244	89.3	10.9
Other Receipts .. .. .	400	12.3	870	10.7	9.0
Total Receipts .. .. .	3,262	100.0	8,114	100.0	10.7

Of the increase in total receipts over the period 1961-62 to 1970-71 about 43 per cent has been generated by collections of income tax from individuals. The largest increase was in respect of net pay-as-you-earn income tax from wage and salary earners. Collections from this source have increased by \$1,779 million or 15.7 per cent per annum. Revenue from company income taxes increased by \$862 million or 10.6 per cent per annum over the period and indirect taxation revenues increased by \$1,359 million or 9.1 per cent per annum. The relatively rapid increase in personal income tax revenue reflects in large part the operation of the progressive rate scale of this tax and, although part of the increase in effective rates of income taxation arising from the operation of the rate scale was offset by the reduction in



Income tax rates in 1970-71, total income taxes on persons have risen from 32.9 per cent of total Commonwealth revenues in 1961-62 to 39.2 per cent in 1970-71. Indirect taxation revenues have declined as a proportion of total revenues from 35.0 per cent in 1961-62 to 30.8 per cent in 1970-71, largely because expenditures on goods subject to indirect taxation have increased less rapidly than incomes and spending in the economy as a whole and because many products are subject to specific rates which have been changed only at irregular intervals.

The Commonwealth has incurred a deficit in each of the years covered by the tables varying from a peak of \$642 million in 1967-68 to a small deficit of \$7 million in 1969-70. Any economic assessment of the relative importance of these Budget results would, of course, have to take into account the composition of receipts and expenditures in each year, the proportion of expenditures made overseas and the level of activity in the private sector of the economy at the time.

The Commonwealth's financing transactions have varied considerably over the period from 1961-62 to 1970-71. Thus, the net proceeds of overseas borrowing reached a peak in 1968-69 when a net amount of \$142 million was raised. The following year, redemptions overseas exceeded overseas loan raisings by \$131 million. Net proceeds from Australian loan raisings and Treasury Notes were at their highest level over the period, \$506 million, in 1962-63 and were at their lowest point, \$180 million, in 1964-65.

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

At the Premiers' Conference in June 1971 it was agreed that the Commonwealth would cease to levy pay-roll tax in the States as from a date to be determined in 1971-72 and that the States would levy their own pay-roll taxes as from the same date. The resultant loss of revenue to the Commonwealth will be offset by a commensurate reduction in the financial assistance grants otherwise payable to the States. At the same time, however, certain special additions, estimated to total \$29 million, will be made to the financial assistance grants payable to the States in 1971-72 and special revenue assistance of \$40 million will also be provided. Details of these arrangements are set out in 'Commonwealth Payments to or for the States 1971-72'.

On the assumption that the new arrangements will operate from 1 September 1971, the effect of the decision will be to reduce Commonwealth pay-roll tax revenues by an estimated \$259 million, with a consequential commensurate reduction in the financial assistance grants payable to the States.

To assist meaningful comparisons of revenues and expenditures in 1971-72 with those in 1970-71 and previous years, the following table shows the estimated increases in Commonwealth revenues and expenditures in 1971-72 before deducting this estimated amount of \$259 million and compares these hypothetical increases with the estimated increases in 1971-72 and the actual increases in 1970-71.

	1970-71		1971-72			
	Actual Increase		Estimated Increase after Pay-roll Tax Decision		Estimated Increase before reduction of Pay-roll Tax collections and financial assistance grants	
	\$m.	%	\$m.	%	\$m.	%
Expenditure ..	984	13.8	728	9.0	987	12.2
Receipts ..	916	12.9	792	9.9	1051	13.1



Another change in the presentation of Commonwealth Budget figures for past years has also been made following the pay-roll tax decision. Export incentives in the form of rebates of pay-roll tax will continue; but after the passage of the necessary legislation, this assistance to industry under the present arrangements is to be provided by way of direct Commonwealth payments in respect of 1971-72 and 1972-73 exports. The accounts have been adjusted so that export incentives are no longer shown as an offset to pay-roll taxation receipts but rather as a part of Commonwealth expenditures under the heading 'Commonwealth Payments to Industry'. This treatment has the effect of increasing both 'Total Receipts' and 'Total Expenditures' in each year by equal amounts, thus leaving the overall Budget outcome unchanged. Table 1 below sets out figures on this revised basis back to 1961-62.

Numerous changes have been made in the accounting arrangements of the Commonwealth Government since 1961-62. 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;
- (d) the figures for 1971-72 are not directly comparable with earlier years because of the effects of the pay-roll tax decision discussed above.

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 classification 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 1961-62 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 1970-71 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 outlays on redemptions, repurchases and repayments from the National Debt Sinking Fund and 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 'Net Change in Treasury Notes on Issue' include Treasury Notes issued to the Reserve Bank to finance advances to the Wheat Board, and those shown under the heading 'Net Advance to Australian Wheat Board' represent the net change in the indebtedness of the Australian Wheat Board to the Commonwealth each year. In March 1970 the Commonwealth advanced \$250 million to the Wheat Board to enable the Board to finance its repayments in respect of the 1968-69 wheat crop to the Rural Credits Department of the Reserve Bank. This loan was fully repaid by March 1971 when the Commonwealth agreed to a similar advance of \$190 million in respect of the 1969-70 crop. An amount of \$71 million of this latter advance was repaid by 30 June 1971.

NOTES ON TABLE 3: FIGURES IN NATIONAL ACCOUNTS 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 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 and buildings (other than houses), less acquisitions of sites and existing buildings.

DEFICIT

This item is the difference between total outlay and total receipts. It is financed by 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 and the Australian Wheat Board, plus minor changes in other assets and liabilities.



TABLE 1—SUMMARY OF COMMONWEALTH EXPENDITURE AND RECEIPTS, 1961-62 TO 1970-71, AND 1971-72 (ESTIMATE)

	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Estimated
			(g)			(b)					(c)
<b>Expenditures—</b>											
Defence Services(d)	409,353	430,391	519,036	606,480	745,598	955,900	1,113,334	1,162,162	1,100,618	1,134,983	1,252,383
Payments to or for the States and Works and Housing Programmes(e)	1,306,495	1,381,720	1,463,407	1,558,150	1,720,595	1,861,780	2,030,524	2,167,224	2,416,615	2,843,321	2,930,833
Payment to National Welfare Fund	730,383	758,589	832,696	890,366	941,574	1,031,117	1,075,049	1,162,350	1,341,799	1,477,238	1,694,253
Repatriation Services	190,754	204,360	225,387	229,332	253,566	250,680	284,421	284,421	296,704	315,165	355,410
Debt Charges	136,157	138,368	137,906	143,048	142,406	96,364	106,134	111,519	108,767	107,886	101,649
Departmental Running Expenses	168,613	178,834	209,907	232,299	257,677	321,792	360,995	401,192	468,604	544,010	627,856
Territories	25,631	29,220	34,092	39,543	44,381	52,478	61,390	73,286	83,972	99,857	114,116
External Economic Aid	54,797	65,448	75,589	85,643	96,072	111,205	126,327	137,651	153,308	163,069	172,060
Commonwealth Payments to Industry	70,870	72,866	102,396	91,054	129,384	149,729	204,184	240,884	224,422	316,677	371,236
Other Expenditures	135,461	143,643	173,018	220,765	267,019	282,929	296,095	343,399	367,724	414,977	456,213
Advances for Capital Purposes(f)	254,065	235,731	247,809	281,221	298,035	330,939	368,142	323,626	365,273	448,492	495,474
Other Capital Works and Services	90,701	91,995	101,064	117,326	125,975	145,586	170,823	190,276	193,641	239,957	261,786
<b>Total Expenditures ..</b>	<b>3,573,278</b>	<b>3,731,166</b>	<b>4,122,306</b>	<b>4,495,226</b>	<b>5,022,281</b>	<b>5,590,500</b>	<b>6,173,088</b>	<b>6,597,990</b>	<b>7,121,445</b>	<b>8,105,533</b>	<b>8,833,268</b>
<b>Receipts—</b>											
Customs Duty	170,402	210,139	232,854	268,779	272,361	277,032	313,668	347,746	414,487	465,728	533,000
Excise Duty	531,214	548,751	582,172	630,959	751,238	805,911	853,538	901,014	939,712	1,053,304	1,182,500
Sales Tax	297,636	313,066	325,105	362,761	369,390	379,270	417,012	494,063	567,359	633,159	695,000
Income Tax—											
Individuals—											
P.A.Y.E. (net)	653,554	684,426	792,242	990,601	1,160,369	1,323,537	1,507,456	1,727,290	2,084,219	2,432,062	2,858,775
Other	421,136	398,998	480,045	579,923	570,974	599,043	669,949	652,176	773,917	746,075	803,820
Companies	565,376	519,828	586,260	709,044	801,105	784,544	836,664	1,006,543	1,151,364	1,395,389	1,514,000
Withholding Tax—Dividend and Interest	16,233	17,929	15,936	16,039	17,287	22,708	22,626	32,759	46,022	48,274	52,000
Pay-roll Tax (gross)	123,477	132,484	143,519	161,354	175,674	191,958	209,298	234,525	264,050	295,428	325,000
Other Taxes(g)	39,701	42,102	46,400	48,881	42,372	49,247	63,333	70,187	81,948	80,519	89,150
<b>Total Taxation Revenue ..</b>	<b>2,818,730</b>	<b>2,867,723</b>	<b>3,204,534</b>	<b>3,768,340</b>	<b>4,160,730</b>	<b>4,433,249</b>	<b>4,893,565</b>	<b>5,466,303</b>	<b>6,323,081</b>	<b>7,149,938</b>	<b>7,824,245</b>
Other Revenue	225,010	253,710	301,412	329,527	372,746	440,055	450,353	537,215	571,667	663,638	741,982
National Debt Sinking Fund(h)	153,101	163,576	177,838	192,624	202,178	131,857	141,016	153,713	156,264	156,043	160,749
Net increase in other balances of the Commonwealth in the Trust Fund	17,973	30,668	19,745	22,170	31,858	33,573	45,797	55,447	63,679	60,610	95,500
<b>Total Receipts ..</b>	<b>3,214,814</b>	<b>3,315,677</b>	<b>3,703,529</b>	<b>4,312,660</b>	<b>4,767,512</b>	<b>5,038,734</b>	<b>5,530,731</b>	<b>6,212,679</b>	<b>7,114,692</b>	<b>8,030,229</b>	<b>8,822,476</b>
<b>Deficit ..</b>	<b>358,464</b>	<b>415,489</b>	<b>418,776</b>	<b>182,566</b>	<b>254,768</b>	<b>551,765</b>	<b>642,357</b>	<b>385,311</b>	<b>6,753</b>	<b>75,303</b>	<b>10,791</b>

(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 in 1966-67 arising from revisions to the National Debt Sinking Fund Act. In addition, the figures for 1966-67 and subsequent years have been adjusted for other accounting changes which occurred in 1968-69 and 1970-71. The net effect of these changes was to reduce both expenditures and receipts in 1966-67 by \$37,096,000. (c) Comparisons between 1970-71 and estimates for 1971-72 are affected by the decision taken at the June Premiers' Conference with regard to pay-roll taxation revenues (see Notes on Tables). (d) Includes expenditure financed or to be financed under credit arrangements with the United States of America; interest payments on drawings made under these arrangements are also shown under this heading. (e) Includes the proceeds of State domestic loan raisings. (f) Other than advances to the States. (g) Includes revenues from estate, gift and stamp duties, together with collections of land tax outstanding in 1961-62. (h) Excludes profits on realisation of investments and repayments of advances by the Australian Wheat Board.



TABLE 2—SUMMARY OF COMMONWEALTH FINANCING TRANSACTIONS, 1961-62 TO 1970-71

	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Overseas—										
Credit arrangements for defence purchases in the U.S.A.										
Less—repayments	..	..	..	..	..	..	..	..	..	..
Net drawings	..	..	..	..	..	..	..	..	..	..
Aircraft loans for Qantas and Australian National Airlines										
Commission	23,653	5,253	5,154	34,859	30,289	30,735	64,780	14,595	11,308	47,099
Less—repayments	9,092	11,467	11,964	12,088	13,614	12,876	15,822	27,004	27,206	27,588
Net drawings	..	..	..	..	..	..	..	..	..	..
Net drawings	14,561	-6,214	-6,810	22,770	16,675	17,859	48,958	-12,409	-15,897	19,510
Other overseas loan proceeds(a)	..	..	..	..	..	..	..	..	..	..
Less—redemptions, etc.(a)	57,930	140,324	73,629	43,259	37,668	54,444	76,795	168,536	47,978	14,795
Net proceeds	58,897	38,463	47,277	80,102	77,412	134,691	111,635	68,518	160,411	86,502
Net proceeds	-967	101,861	26,353	-36,844	-39,745	-80,247	-34,840	100,018	-112,433	-71,707
Total net proceeds overseas	..	..	..	..	..	..	..	..	..	..
Funds provided for International Monetary Fund	..	..	..	..	..	..	..	..	..	..
Total net proceeds overseas	13,594	95,647	19,543	-14,074	-23,070	28,164	132,150	142,212	-130,872	-45,597
Less—repayments	-1,442	-23,112	..	-22,321	-40,301	-27,188	-58,800	-5,000	..	-36,831
Australia—										
Proceeds of loans raised in Australia(b)	..	..	..	..	..	..	..	..	..	..
Less—redemptions, etc.	468,520	532,198	597,841	522,681	552,487	666,459	589,419	615,707	677,588	770,092
Net change in Treasury Notes on issue(c)	172,030	164,994	153,349	270,235	254,534	258,498	292,592	234,865	414,335	565,523
Net change in Treasury Notes on issue(c)	..	..	..	..	..	..	..	..	..	..
Net change in Treasury Notes on issue(c)	296,489	367,204	444,492	252,445	297,953	407,960	296,827	380,843	263,253	204,569
Net change in Treasury Notes on issue(c)	..	138,980	13,590	-72,138	35,664	-25,933	183,572	-68,316	46,542	17,853
Net change in Treasury Notes on issue(c)	296,489	506,184	458,082	180,307	333,617	382,027	480,399	312,527	309,795	222,422
Net advances to the Australian Wheat Board	..	..	..	..	..	..	..	..	-183,952	65,321
Net advances to the Australian Wheat Board	296,489	506,184	458,082	180,307	333,617	382,027	480,399	312,527	125,843	287,743
Other financing transactions(d)	-4,195	7,869	10,073	4,260	20,906	4,650	37,445	62,382	45,133	27,352
Residual Financing—										
Net increase in Treasury Bills on issue	44,000	-170,000	-68,000	(e) -62,000	-36,000	10,000	51,000	-127,000	-14,000	..
Net issue of other securities to the Reserve Bank	..	..	..	(e) 100,000	..	(f) 155,000	..	..	..	..
Use of cash balances	10,018	-1,099	-921	-3,606	..	-889	..	..	-19,351	-157,371
Total residual financing	54,018	-171,099	-68,921	34,394	-36,384	164,111	51,163	-126,810	-33,351	-157,371
Total Australian financing transactions	346,312	342,954	399,234	218,962	318,138	550,788	569,008	248,099	137,625	157,728
Total Financing Transactions	358,464	415,489	418,776	182,566	254,768	551,765	642,357	385,311	6,753	75,303

(a) Overseas 'refinancing' operations are treated in this table as adding to both loan proceeds and redemptions where they involve receipts into and outlays from Loan Fund. (b) Includes State domestic raisings. (c) Includes Treasury Notes issued to the Reserve Bank to finance an advance to the Australian Wheat Board. (d) Includes funds obtained from coinage and bullion transactions, amounts borrowed by Commonwealth trust accounts, net amounts available from Commonwealth trust account transactions in Commonwealth Government securities, amounts available from moneys held in trust, etc. (e) Reflects the substitution of \$100 million of longer term securities for Treasury Bills on issue to the Reserve Bank. (f) Reflects the substitution of \$80,000,000 of longer term securities for Treasury Bills on issue to the Reserve Bank and an additional borrowing from the Reserve Bank by the issue of \$75,000,000 in securities other than Treasury Bills.



TABLE 3—RECEIPTS AND OUTLAY OF COMMONWEALTH BUDGET IN

	1961-62	1962-63	1963-64	1964-65
	\$ million	\$ million	\$ million	\$ million
<b>Outlay—</b>				
<b>Net expenditure on goods and services—</b>				
<b>Current expenditure—</b>				
War and defence .. .. .	397	411	486	558
Repatriation .. .. .	44	49	52	55
Development of resources and assistance to industry .. .. .	61	68	77	99
Civil aviation .. .. .	17	20	22	24
Immigration .. .. .	18	21	26	33
Law, order and public safety .. .. .	4	5	5	6
Education .. .. .	10	12	13	17
Public health and welfare .. .. .	24	28	28	31
Foreign affairs .. .. .	10	11	12	14
All other(a) .. .. .	109	115	(b)136	161
	694	739	(b)858	998
<b>Capital expenditure(c)—</b>				
Public enterprises—				
Houses and flats .. .. .	3	5	1	-2
Other .. .. .	6	7	10	14
Public authorities—				
Transport .. .. .	19	21	22	28
Other .. .. .	45	48	(d)55	63
	73	81	(d)88	103
<b>Total net expenditure on goods and services</b>	<b>767</b>	<b>820</b>	<b>946</b>	<b>1,102</b>
<b>Transfer payments—</b>				
Cash benefits to persons .. .. .	901	937	1,029	1,080
Grants to States .. .. .	800	852	896	958
Interest paid .. .. .	314	337	361	390
Overseas grants and contributions .. .. .	65	72	86	107
Subsidies(f) .. .. .	85	77	108	96
Grants for private capital purposes .. .. .	10	9	9	26
<b>Total transfer payments</b>	<b>2,175</b>	<b>2,284</b>	<b>2,489</b>	<b>2,657</b>
<b>Total expenditure</b>	<b>2,941</b>	<b>3,104</b>	<b>3,435</b>	<b>3,759</b>
<b>Net advances—</b>				
to States—				
Works purposes .. .. .	332	346	373	400
Housing .. .. .	94	90	92	93
Other .. .. .	15	22	25	26
	441	458	490	519
to Commonwealth authorities—				
Post Office .. .. .	100	97	105	116
S.M.H.E.A. .. .. .	32	43	46	44
Airlines .. .. .	18	-6	-7	23
Other .. .. .	24	5	16	9
	174	139	159	192
to Other Sectors—				
by War Service Homes .. .. .	51	53	43	39
Other .. .. .	13	15	16	17
	64	68	59	56
<b>Total net advances</b>	<b>679</b>	<b>665</b>	<b>708</b>	<b>767</b>
<b>Total Outlay</b>	<b>3,620</b>	<b>3,770</b>	<b>4,142</b>	<b>4,527</b>
<b>Receipts—</b>				
<b>Taxation—</b>				
Indirect taxes(f) .. .. .	1,142	1,227	1,309	1,458
Income taxes on companies .. .. .	582	538	602	725
Income taxes on persons—				
P.A.Y.E. .. .. .	654	684	792	991
Other .. .. .	420	399	480	579
Estate and gift duties .. .. .	40	42	46	49
Other direct taxes, fees, fines, etc.(g) .. .. .	25	26	27	32
<b>Total taxation</b>	<b>2,862</b>	<b>2,915</b>	<b>3,256</b>	<b>3,833</b>
<b>Other receipts—</b>				
Interest, rent and dividends .. .. .	369	407	429	471
Gross income of public enterprises .. .. .	34	34	37	39
Net sales of existing assets(h) .. .. .	-3		2	3
<b>Total other receipts</b>	<b>400</b>	<b>441</b>	<b>468</b>	<b>513</b>
<b>Total Receipts</b>	<b>3,262</b>	<b>3,356</b>	<b>3,724</b>	<b>4,345</b>
<b>Deficit</b>	<b>358</b>	<b>415</b>	<b>419</b>	<b>183</b>

(a) Includes current expenditure of the Australian Broadcasting Commission. In previous tables in this series the Commission was treated as a public enterprise.  
 (b) A change in Department of Works accounting procedures accounts for \$6 million of the increase in 1963-64.  
 (c) Consisting of fixed capital expenditure on new assets plus increase in stocks less sales of previously rented houses.  
 (d) A change in Department of Works accounting procedures reduces the increase in 1963-64 by \$6 million.  
 (e) An interest-free capital grant of \$200 million in 1970-71 and \$209.8 million in 1971-72 under the works programme is included in 'Grants to States'.  
 (f) .. .. .  
 (g) .. .. .  
 (h) .. .. .



NATIONAL ACCOUNTS FORM, 1961-62 TO 1970-71, AND 1971-72 (ESTIMATE)

1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72 Estimate
\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
684	877	1,041	1,078	1,017	1,068	1,180
61	67	72	77	84	93	108
110	119	128	146	156	177	199
24	27	30	33	38	43	49
33	35	38	53	59	60	55
7	10	12	13	15	19	23
20	22	28	34	41	57	66
35	40	47	54	64	78	94
17	18	23	25	31	35	41
178	216	241	269	307	347	401
1,170	1,432	1,661	1,783	1,812	1,977	2,216
5	3	5	6	6	9	} 227
16	26	30	27	27	23	
36	43	48	61	63	76	
62	68	79	85	89	115	
118	141	162	179	186	223	227
1,288	1,573	1,823	1,962	1,998	2,200	2,443
1,156	1,246	1,294	1,406	1,598	1,771	2,001
1,076	1,183	1,312	1,419	1,620	2,207	2,281
409	432	476	502	546	576	600
127	151	154	159	180	185	197
142	166	179	261	247	309	347
47	45	57	31	33	35	36
2,956	3,223	3,471	3,779	4,223	5,083	5,462
4,243	4,796	5,294	5,741	6,221	7,283	7,905
405	437	460	484	518	e 366	} e 511
107	109	111	113	118	126	
35	28	58	28	31	27	
547	574	629	625	667	520	561
139	179	203	205	233	247	255
41	47	39	30	33	27	16
17	18	49	-12	-16	20	62
12	7	5	13	21	46	47
209	251	296	235	271	340	380
39	25	10	11	11	17	16
14	22	20	20	25	30	39
53	47	30	31	36	47	54
809	871	955	891	974	907	995
5,052	5,667	6,249	6,633	7,195	8,190	8,900
1,613	1,702	1,847	2,035	2,244	2,501	2,580
818	807	859	1,039	1,197	1,444	1,566
1,160	1,324	1,507	1,727	2,084	2,432	2,859
570	597	668	650	771	743	800
42	49	63	70	80	78	86
34	36	37	43	46	47	48
4,237	4,514	4,981	5,564	6,422	7,244	7,939
515	558	583	642	711	800	877
44	47	47	50	52	60	64
2	-2	-2	-7	3	10	9
561	603	628	685	766	870	950
4,798	5,116	5,608	6,248	7,188	8,114	8,890
255	552	642	385	7	75	11

(f) Following the transfer of the pay-roll tax to the States, the export incentive scheme will operate in respect of 1971-72 exports through direct payments from the Commonwealth, rather than by way of rebates of pay-roll tax. To facilitate year to year comparisons, previously published figures for 'Indirect taxes' have been adjusted to include pay-roll tax collections on a gross basis. 'Subsidies' have been adjusted by corresponding amounts to include rebates of pay-roll tax under the export incentive scheme.

(g) Includes broadcasting and television licence fees paid by private persons. Broadcasting and television licence fees paid by producers are included in 'Indirect taxes'.

(h) Excludes sales of previously rented houses. See footnote (c) on page 62.



**STATEMENT No. 8—EXTERNAL AID**

In 1970, for the first time, the total flow of financial resources, both official and private, from Australia to developing countries exceeded one per cent of Gross National Product. In that year Australia again ranked third in the world in terms of the net flow of official development assistance to developing countries expressed as a percentage of Gross National Product.

The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development, which comprises all the major western aid donor countries, including Australia, uses three concepts to measure resource flows from developed to developing countries, the totals generally being expressed as percentages of Gross National Product. These are:

- (i) Total net flow of official and private resources;
- (ii) Net official flows; and
- (iii) Net official development assistance.

The first concept—total net flow of official and private resources—corresponds to the definition used in the much publicised one per cent 'aid' target. It includes private investment in, and commercial loans and export credits with a maturity of more than twelve months extended to, developing countries. This concept is deficient in a number of important respects for comparing the relative aid efforts of donor countries, not least because it lumps private and official flows together as if they were the same, although they are, of course, generally motivated by entirely different considerations and their terms and conditions often differ widely. Such a measure, moreover, places capital importing countries like Australia at a disadvantage compared with capital exporting countries. Accordingly, ever since the first United Nations Conference on Trade and Development in 1964 when aid targets for individual donor countries were first evolved, Australia has consistently queried the validity and usefulness of this total flow concept. But, whatever one may think about it, the fact is that it forms the basis of the one per cent 'aid' target which has been accepted in international circles.

The second concept—net official flows—represents that part of the total flow of resources to developing countries which is subject to decision by governments. However, it also has a number of shortcomings in that it comprehends various transactions which are not considered to be concessional in character. For example, net purchases by governments and central monetary authorities of bonds issued, at market rates of interest, by institutions like the World Bank and the Asian Development Bank are included, as also are official export credits, etc. Moreover, this concept, as presently defined, fails to allow fully for the difference between grants and loans inasmuch as interest payments by developing countries are *not* deducted in calculating net flows.

The third concept—net official development assistance—omits the non-concessional elements in net official flows. This is by far the most meaningful of the three concepts and it is tending to become more widely used as a measure of comparative aid effort, or burden-sharing, although interest is still not deducted.

The following details of Australia's 'aid' performance in 1970 illustrate the differences between the three concepts:

	\$ million	Per cent of GNP
(i) Total net flow of official and private resources* ..	343.55	1.12
(ii) Net official flows .. .. .	187.76	0.61
(iii) Net official development assistance .. .. .	181.49	0.59

\* Including estimated contributions by voluntary aid organisations.



For the past five years Australia has consistently ranked third in the world in terms of the net flow of official development assistance to developing countries expressed as a percentage of Gross National Product. The following figures based on data published by the DAC compare relative aid performances by member countries since 1966.

**NET OFFICIAL DEVELOPMENT ASSISTANCE TO DEVELOPING COUNTRIES  
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT**

	1966	1967	1968	1969	1970
	Per cent	Per cent	Per cent	Per cent	Per cent
France .. ..	0.69	0.71	0.69	0.68	0.65
Netherlands .. ..	0.45	0.49	0.49	0.51	0.63
Australia .. ..	0.53	0.60	0.57	0.56	0.59
Portugal .. ..	0.59	1.02	0.68	1.04	0.48
Belgium .. ..	0.42	0.45	0.42	0.51	0.48
Canada .. ..	0.33	0.32	0.26	0.34	0.43
Denmark .. ..	0.19	0.21	0.23	0.39	0.38
Sweden .. ..	0.26	0.25	0.28	0.43	0.37
United Kingdom .. ..	0.46	0.44	0.40	0.39	0.37
Norway .. ..	0.18	0.17	0.29	0.30	0.33
Germany .. ..	0.37	0.43	0.41	0.39	0.32
United States .. ..	0.45	0.44	0.38	0.33	0.31
Japan .. ..	0.28	0.32	0.25	0.26	0.23
Italy .. ..	0.12	0.22	0.19	0.16	0.16
Switzerland .. ..	0.08	0.08	0.14	0.16	0.15
Austria .. ..	0.31	0.24	0.20	0.12	0.13
DAC Average ..	0.42	0.43	0.38	0.36	0.34

The fact that interest received on loans extended to developing countries has not been taken into account in the above data tends to distort international comparisons, especially vis-a-vis Australia, which until recently has provided all of its official development assistance in grant form and is still predominantly a grant-aid donor.

**OFFICIAL DEVELOPMENT ASSISTANCE 1971-72**

The following table lists various items of expenditure which can be fairly readily identified as economic (i.e. non-military) aid to developing countries, including Papua New Guinea. The totals shown in this table differ from those quoted in Statement No. 4—Estimates of Expenditures, 1971-72 by virtue of the inclusion of direct expenditures of an economic nature by various Commonwealth Departments and instrumentalities in or in connexion with Papua New Guinea, which are classified under other headings in the Budget. Expenditure relating to developed countries under the Commonwealth Co-operation in Education Scheme has been excluded.

The estimates for 1971-72 do not necessarily represent the sum total of all the official development assistance which Australia will provide to developing countries this year. For instance, the estimates for payments to the International Development Association, the Indus Basin Development Fund and the Special Funds of the Asian Development Bank may be exceeded if these institutions make greater calls on Australia. The expected decline in expenditure on multilateral aid programmes in 1971-72 basically reflects the fact that the final instalment of Australia's subscription to the capital stock of the Asian Development Bank was paid in August 1970; no similar payment will be required this year.



	Actual 1970-71	Estimated 1971-72
	\$'000	\$'000
<i>Multilateral—</i>		
International Development Association .. .. .	2,815	3,300
Asian Development Bank—Capital Subscription .. .. .	3,795	..
Asian Development Bank—Special Funds Contribution .. .. .	325	1,000
UN Development Programme .. .. .	1,785	1,785
UN High Commissioner for Refugees .. .. .	262	175
UN Relief and Works Agency .. .. .	180	180
UN Children's Fund .. .. .	825	550
World Food Programme .. .. .	963	850
South Pacific Commission .. .. .	276	309
Regional Projects for Economic Co-operation in Asia .. .. .	71	108
International Red Cross .. .. .	15	15
World Meteorological Organization—World Weather Watch .. .. .	50	50
ASPAC Registry of Scientific and Technical Services .. .. .	69	67
ASPAC Food and Fertiliser Technology Centre .. .. .	27	36
International Rice Research Institute .. .. .	..	50
International Trade Centre .. .. .	..	30
<b>Total Multilateral .. .. .</b>	<b>11,458</b>	<b>8,505</b>
<i>Bilateral—</i>		
<i>Colombo Plan—</i>		
Projects, experts and equipment .. .. .	11,390	11,250
Training .. .. .	5,456	6,020
Special Aid to Indonesia .. .. .	7,721	9,000
	24,567	26,270
Special Aid to South Vietnam .. .. .	390	110
Special Aid to Khmer Republic .. .. .	960	1,350
International Wheat Agreement—Food Aid Convention .. .. .	11,840	12,000
SEATO Aid Programme .. .. .	1,891	2,000
Indus Waters Scheme .. .. .	663	1,000
Foreign Exchange Operations Fund—Laos .. .. .	643	643
Special Commonwealth African Assistance Plan .. .. .	497	550
Commonwealth Co-operation in Education Scheme .. .. .	732	796
South Pacific Aid Programme .. .. .	543	1,000
Australian International Awards Scheme .. .. .	34	50
Disaster Relief .. .. .	176	50
Australian/Asian University Aid and Co-operation Scheme .. .. .	138	200
Emergency Relief for Pakistan Refugees .. .. .	200	800
<b>Total Bilateral .. .. .</b>	<b>43,274</b>	<b>46,819</b>
<b>Total Multilateral and Bilateral .. .. .</b>	<b>54,732</b>	<b>55,324</b>
<i>Papua New Guinea—</i>		
Basic grant-in-aid .. .. .	33,000	30,000
Development grant .. .. .	37,000	40,000
Allowances and other benefits for overseas officers of the Papua New Guinea Public Service .. .. .	31,497	36,000
Drawings on Arawa loan .. .. .	6,300	10,000
Miscellaneous budget items and other direct expenditures in Papua New Guinea .. .. .	14,171	14,748
<b>Total Papua New Guinea .. .. .</b>	<b>(a) 121,968</b>	<b>130,748</b>
<b>Total .. .. .</b>	<b>176,700</b>	<b>186,072</b>

(a) In addition, the Commonwealth Government was called upon to subscribe a total of \$9,410,000 from the Loan Consolidation and Investment Reserve in 1970-71 to make up the shortfalls in two private placements which the Administration of Papua New Guinea made in Australia to finance its equity investment of \$25 million in the Bougainville copper project. This is not classified as official development assistance.

No allowance has been made in the above table for the large subventions which the Commonwealth and State Governments provide each year for various educational institutions in Australia which are attended by several thousand overseas students, most of whom come from developing countries. The imputed costs involved in this hidden aid 'subsidy' are estimated to exceed \$10 million per annum.



Similarly, the figures in the above table do not allow for the fact that parts of Australia's contributions to the regular budgets of a number of international organisations (included elsewhere in the Budget) are used to finance aid projects in developing countries—the annual amount involved is currently estimated to exceed \$600,000. Nor has any allowance been made for the costs incurred in administering Australia's various aid programmes. In all, these costs, which are subsumed in *Departmental Running Expenses*, are tentatively estimated to exceed \$7 million per annum at the present time. Proportionately, this compares favourably with the administrative costs of most other donor countries.

Australia is also providing substantial amounts of defence aid to certain developing countries in Asia, not counting expenditures associated with the presence of Australian forces in those countries. In 1971–72, for example, military and para-military aid to Malaysia and Singapore is estimated to total \$4,260,000 and military aid to South Vietnam, \$3,500,000. Considerable amounts are also being expended on the Pacific Islands Regiment in Papua New Guinea. To the extent that this defence aid, which is included in the overall *Defence Vote*, releases domestic resources that would otherwise be used for the same purpose, it may indirectly help to promote the economic development of recipient countries.

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

*International Development Association.* Australia has pledged a total of \$99,982,143 (\$US111,980,000) to IDA since its inception in 1960. This sum comprises:

- an initial capital subscription of \$US20,180,000 payable over the five-year period 1960–61 to 1964–65;
- a contribution of \$US19,800,000 towards the first replenishment of the Association's resources over the triennium 1965–66 to 1967–68;
- a contribution of \$US24 million towards the second replenishment of the Association's resources over the triennium 1968–69 to 1970–71; and
- a subscription and a contribution totalling \$US48 million towards the third replenishment of the Association's resources over the triennium 1971–72 to 1973–74.

The international agreement governing the third replenishment exercise has not yet entered into effect, although it was originally scheduled to do so on 1 July 1971.

Contributions to IDA are initially made available in the form of non-negotiable, non-interest-bearing promissory notes which are encashed on demand 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 1971 actual cash payments to IDA totalled \$35,569,142. An amount of \$3,300,000 has been included in the Budget for 1971–72, although actual cash payments to IDA this year may be higher.

*Asian Development Bank.* Australia has subscribed \$75,893,000 (\$US85 million) to the initial capital stock of the Asian Development Bank, which was established in Manila in 1966 to promote the economic growth of developing countries in the ECAFE region by providing loans, on both commercial and concessional terms, and technical assistance to these countries. Papua New Guinea became the thirty-sixth member of the Bank in April 1971. One-half of Australia's capital subscription is to remain at call as security for borrowings by the Bank on international capital markets to supplement its subscribed capital and finance an expansion in its own lending operations. The balance has now been paid in to the Bank, half in convertible currency and half in domestic currency; use of the latter has been restricted to the procurement of goods and services from Australia, as provided for in the *Articles of Agreement of the Bank*.

Australia has also pledged the equivalent of \$US10 million to the Special Funds of the Asian Development Bank over the triennium 1970–71 to 1972–73 to help finance loans by the Bank on concessional terms to developing member countries. Payments will be made to the Bank as and when funds are actually required. In all, \$325,000 was paid to the Bank in 1970–71. An amount of \$1 million has been included in the Budget for 1971–72, although actual cash payments to the Bank this year may be higher.

*Other Multilateral Programmes.* The estimates provide for a continuation of existing rates of contribution to various U.N. aid programmes. The reason for the decrease in the estimates for the United Nations High Commissioner for Refugees and the United Nations



Children's Fund is that three half-yearly payments were made to these institutions in 1970-71 to put Australia's annual contributions to them on the same basis, time-wise, as those of other countries. The estimate for the World Food Programme is lower because a special effort was made in 1970-71 to reduce the back-log in calls on Australia's previous pledges to this institution.

Two new items have been included: \$50,000 is provided to enable detailed design work to be undertaken on a phytotron which, it is envisaged, will be donated at a later date to the International Rice Research Institute at Los Banos in the Philippines, and \$30,000 is provided to cover the cost of seconding an officer from the Australian Trade Commissioner Service to the International Trade Centre in Geneva to write a handbook on trade promotion for the benefit of officials in developing countries.

*Colombo Plan.* This continues to be 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 telecommunications systems, assistance in the rehabilitation of telephone and railway networks, and gifts of such diverse items as trucks, irrigation and farm equipment, railway wagons and sleepers, dredges, pumps, hospital and broadcasting equipment, wool, bakery equipment, 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 Foreign Affairs.

Australia has undertaken to provide the equivalent of \$US60 million (\$53,570,000) in bilateral aid to Indonesia over the triennium 1970-71 to 1972-73. It is envisaged that about \$18 million will be provided for Indonesia in 1971-72, compared with expenditure of \$15,500,000 in 1970-71, making that country the largest recipient of bilateral aid from Australia at the present time.

*International Wheat Agreement.* An amount of \$12 million has been provided in the Budget to meet Australia's commitment under the new International Wheat Agreement to supply 225,000 metric tons of wheat or flour equivalent as food aid to developing countries in 1971-72. This is the same quantity as was supplied to developing countries in each of the last three financial years under the former International Grains Arrangement. The bulk of this wheat and flour will again be distributed to developing countries in Asia and the Pacific.

*South Pacific Aid Programme.* In recognition of Australia's growing interests in, and responsibility for, developments in this part of the world, the estimate for the South Pacific Aid Programme has been almost doubled to \$1 million in 1971-72. In each of the last three financial years, flour costing in the region of \$690,000 has also been supplied to Fiji as part of Australia's commitment under the former International Grains Arrangement.

*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 expenditure for this purpose to 30 June 1971 amounted to \$17,322,000. An amount of \$1 million has been included in the Budget for 1971-72, although actual cash payments this year to the World Bank, which is responsible for administering this scheme, may be higher.

*Other Bilateral Programmes.* The estimates provide for a continuation of Special Aid to South Vietnam to enable the houses being constructed for dependants of members of the Regional and Popular Forces in that country to be completed. Other aid will, of course, be provided to South Vietnam under the Colombo Plan and SEATO Aid programmes in 1971-72. Special Aid to the Khmer Republic (Cambodia) will also be continued in 1971-72, with



an amount of \$1,350,000 being provided in the Budget, compared with expenditure of \$960,000 in 1970-71. Likewise, other aid will be extended to this country in 1971-72 under the Colombo Plan. The estimate of \$800,000 for Emergency Relief for Pakistan Refugees in 1971-72 is the balance of the \$1 million pledged by the Government, of which \$200,000 was spent last year. The lower estimate for Disaster Relief is a provisional figure since the need for such expenditures, because of their nature, cannot be foreseen.

*Papua New Guinea.* The estimates envisage a reduction of \$3 million in the 'Basic grant-in-aid' to the Administration in 1971-72 but this will be offset by an equivalent increase in the 'Development grant' to the Territory this year. Payments of allowances and other benefits for overseas officers employed in the Papua New Guinea Public Service are estimated to increase by \$4,503,000, largely because of the full-year effects of the wage and salary increases which were granted in 1970-71. However, provision has also been made for an increase in recruitment this year to facilitate the task of helping the Territory to prepare for self-government in the foreseeable future. Drawings on the Arawa loan are expected to be \$3,700,000 greater than in 1970-71 to enable the Administration to meet final payments falling due on completion of the township being constructed at Arawa in conjunction with the Bougainville copper project, which will commence production in mid-1972. Finally, \$225,000 has been provided for the Practical Training Scheme for Papuans and New Guineans in Australia in 1971-72, compared with expenditure of \$78,000 in 1970-71.

#### HISTORICAL GROWTH IN AUSTRALIA'S OFFICIAL DEVELOPMENT ASSISTANCE

The following table summarises the growth in Australia's official development assistance to developing countries, including Papua New Guinea, since 1961-62. The comments on and reservations about the figures for 1970-71 and 1971-72 included in the table on page 66 also apply to the data shown below for earlier years.

	Multilateral Programmes	Bilateral Programmes	Papua New Guinea	Total
	\$'000	\$'000	\$'000	\$'000
1961-62 .. .. .	7,652	12,272	44,446	64,370
1962-63 .. .. .	10,058	14,897	49,782	74,737
1963-64 .. .. .	10,672	14,029	61,098	85,799
1964-65 .. .. .	5,159	24,136	67,998	97,293
1965-66 .. .. .	8,018	25,719	75,167	108,904
1966-67 .. .. .	12,571	28,169	83,784	124,524
1967-68 .. .. .	14,001	34,251	91,645	139,897
1968-69 .. .. .	12,712	37,489	99,376	149,577
1969-70 .. .. .	10,558	40,148	115,475	166,181
1970-71 .. .. .	11,458	43,274	121,968	176,700
1971-72 Estimate .. .. .	8,505	46,819	130,748	186,072



**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 \$50 million will be provided from Consolidated Revenue in 1971-72, 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. Assistance to improve the defence capability of Australian industry is provided in a number of ways from the Defence Vote.

The Commonwealth has provided substantial assistance to the rural sector in recent years by way of natural disaster relief payments to the States, the largest of which has been reimbursement of State expenditure on drought relief schemes. 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, 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 provided mainly 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 about \$658 million in 1970-71.

**COMMONWEALTH PAYMENTS TO INDUSTRY**

The following table sets out estimates of Commonwealth payments to (or on behalf of) industry in 1971-72 included under the heading 'Commonwealth Payments to Industry', Item No. 9 in Statement No. 4. These payments are estimated to amount to \$371 million in 1971-72 which compares with payments of about \$150 million five years ago (1966-1967) and about \$70 million ten years ago (1961-62).



COMMONWEALTH PAYMENTS TO INDUSTRY

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
<b>Rural Industries—</b>				
<b>Protective Bounties—</b>				
Raw Cotton Bounty .. .. .	3,531	2,973	796	- 2,177
<b>Other Payments—</b>				
Apple and Pear Stabilization .. .. .	..	..	3,000	+ 3,000
Canned Fruits Industry Assistance .. .. .	..	6,164	200	- 5,964
<b>Dairy Products—</b>				
Butter and Cheese Bounties .. .. .	27,000	41,500	39,882	- 1,618
Marginal Dairy Farm Reconstruction Scheme .. .. .	..	3,122	11,544	+ 8,422
Processed Milk Products Bounty .. .. .	516	2,729	1,920	- 809
Devaluation Compensation .. .. .	29,000	21,000	9,700	- 11,300
Nitrogenous Fertilizers Subsidy .. .. .	9,876	9,716	9,800	+ 84
Petroleum Products—All States and Northern Territory .. .. .	22,367	23,829	25,025	+ 1,196
Phosphate Fertilizers Bounty .. .. .	45,820	40,815	38,000	- 2,815
Rural Reconstruction .. .. .	..	4,000	40,000	+ 36,000
Wheat Industry Stabilization .. .. .	..	29,008	27,200	- 1,808
<b>Wool—</b>				
Advance for administrative expenses of Australian Wool Commission .. .. .	..	300	..	- 300
Advances against possible loss by Australian Wool Commission .. .. .	..	1,040	4,000	+ 2,960
Deficiency Payments for Wool .. .. .	..	..	60,000	+ 60,000
Emergency Assistance to Woolgrowers .. .. .	..	21,327	150	- 21,177
Wool Marketing Assistance .. .. .	..	2,900	3,700	+ 800
<b>Total Rural Industries .. .. .</b>	<b>138,111</b>	<b>210,424</b>	<b>274,917</b>	<b>+ 64,493</b>
<b>Manufacturing Industries—</b>				
<b>Protective Bounties—</b>				
Agricultural Tractors Bounty .. .. .	1,757	2,750	3,200	+ 450
Book Bounty .. .. .	1,374	3,217	2,500	- 717
Cellulose Acetate Flake Bounty .. .. .	276	200	200	..
Shipbuilding Subsidy—Gross .. .. .	58,555	45,255	54,743	+ 9,488
Less—Revenue .. .. .	39,797	26,609	44,675	+ 18,066
<b>Net Subsidy .. .. .</b>	<b>18,758</b>	<b>18,646</b>	<b>10,068</b>	<b>- 8,578</b>
Sulphate of Ammonia Bounty .. .. .	1,081	538	..	- 538
Sulphuric Acid Bounty .. .. .	740	489	823	+ 334
Urea Bounty .. .. .	496	449	..	- 449
<b>Other Payments—</b>				
Devaluation Compensation .. .. .	1,069	600	40	- 560
Export Incentive Pay-roll Tax Rebates(a) .. .. .	33,582	47,750	53,000	+ 5,250
Industrial Research and Development Grants .. .. .	8,915	16,250	13,000	- 3,250
<b>Total Manufacturing Industries .. .. .</b>	<b>68,047</b>	<b>90,889</b>	<b>82,831</b>	<b>- 8,058</b>
<b>Mining Industries—</b>				
<b>Protective Bounties—</b>				
Pyrites Bounty .. .. .	..	568	960	+ 392
<b>Other Payments—</b>				
Gold Mining Industry Assistance .. .. .	1,859	2,881	1,900	- 981
Petroleum Search Subsidy .. .. .	14,298	9,643	8,600	- 1,043
<b>Total Mining Industries .. .. .</b>	<b>16,157</b>	<b>13,092</b>	<b>11,460</b>	<b>- 1,632</b>
<b>Transport Industries—</b>				
<b>Air Services .. .. .</b>	<b>1,800</b>	<b>2,000</b>	<b>1,900</b>	<b>- 100</b>
<b>Shipping Services—</b>				
Melbourne—King Island .. .. .	150	160	90	- 70
South America .. .. .	157	113	38	- 75
<b>Total Transport Industries .. .. .</b>	<b>2,107</b>	<b>2,273</b>	<b>2,028</b>	<b>- 245</b>
<b>Total Commonwealth Payments to Industry</b>	<b>224,422</b>	<b>316,677</b>	<b>371,236</b>	<b>+ 54,558</b>

(a) Figures shown are the amounts of pay-roll tax rebates refunded under the export incentive scheme. (The total amounts of rebates allowed in 1969-70 and 1970-71 were \$33,987,000 and \$49,356,000 respectively, including rebates applied as credits against tax as well as rebates refunded). To facilitate year to year comparisons, published figures in statements attached to the Budget Speech have been adjusted to show, under 'Receipts', pay-roll tax collected without any reduction for rebates refunded—see Statement No. 5. No adequate dissection of pay-roll tax rebates by industry of exporter is available. However, as the bulk of the rebates has been allowed in respect of manufactures, the whole amount refunded has been included under Manufacturing Industries.



The following comments cover the main variations shown in the table on the preceding page.

### *Rural Industries*

*Raw Cotton Bounty.* The estimated decrease of \$2,177,000 in bounty payments on raw cotton results from an amendment made in 1969 to the Raw Cotton Bounty Act. This amendment placed a ceiling of \$2,000,000 on bounty payments for the 1971 crop. The provision for 1971-72 is the balance of the liability on this crop. No further bounty is payable under the Act.

*Apple and Pear Stabilization Scheme.* The provision of \$3,000,000 for 1971-72 represents the estimated Commonwealth liability in respect of apples and pears shipped and sold 'at risk' in 1971 under a proposed stabilization scheme. The scheme guarantees minimum returns for 23 varieties. Growers contribute when the average export returns are in excess of the minima.

*Canned Fruits Industry Assistance.* In 1970-71 the Commonwealth provided financial assistance to the States of Victoria, New South Wales and South Australia to enable assistance to be provided to the Shepparton Preserving Company Ltd. and for the relief of the long-term indebtedness problems of the Leeton, Riverland and Jon canneries. The provision of \$200,000 for 1971-72 represents a further amount to be provided to Victoria to assist the Shepparton Preserving Company Ltd.

*Butter and Cheese Bounties.* Payments are expected to decrease by \$1,618,000 in 1971-72 as the special additional grant for 1970-71 has been renewed at a lower level.

*Marginal Dairy Farm Reconstruction Scheme.* The increase of \$8,422,000 reflects the first full year of operation of this scheme for which the Commonwealth has agreed to provide \$25 million over a period of four years.

*Devaluation Compensation.* An estimated \$11,300,000 less than in 1970-71 is to be paid to rural industries in 1971-72 in respect of reduced returns in Australian currency arising from the 1967 devaluation of sterling and other currencies. Details of payments in each of the past two years, and those expected in 1971-72, are:—

Commodity	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
Apples and Pears .. .. .	2,061	2,595	..	- 2,595
Canned Fruit .. .. .	825	90	..	- 90
Dairy Products .. .. .	20,012	12,698	2,758	- 9,940
Dried Vine Fruits .. .. .	168	119	850	+ 731
Eggs .. .. .	246	36	80	+ 44
Honey .. .. .	21	7	..	- 7
Sugar .. .. .	5,563	5,423	5,931	+ 508
Other .. .. .	105	31	81	+ 50
Total .. .. .	29,000	21,000	9,700	- 11,300

*Petroleum Products—All States and Northern Territory.* The subsidy scheme is designed to reduce the wholesale prices of certain petroleum products in rural areas to within 3.3 cents per gallon of capital city prices. The estimated increase in expenditure for 1971-72 reflects an expected increase in consumption.

*Phosphate Fertilizers Bounty.* It is proposed that this bounty, which is due to expire on 31 October 1971, be extended to 31 December 1974. The estimated reduction of \$2,815,000 in expenditure for 1971-72 reflects an expectation that sales of fertilizers eligible for the bounty will be less than in 1970-71.



*Rural Reconstruction.* An amount of \$40 million is to be provided to the States in 1971-72 for the first full year of operation of the scheme of debt reconstruction, farm build-up and rehabilitation, for which the Commonwealth has agreed to provide \$100 million over a period of four years.

*Wheat Industry Stabilization.* The wheat stabilization payment in respect of the 1969-70 season is based on an average export price of 132.30 cents per bushel, compared with a guaranteed return of 145.90 cents per bushel for 200 million bushels of exports.

*Advances against possible loss by Australian Wool Commission.* The payment in 1970-71 was to provide for the estimated loss resulting from the trading operations of the Commission. A provision for a similar purpose has been included for 1971-72.

*Deficiency Payments for Wool.* It is proposed to introduce a one-year scheme of deficiency payments in respect of the 1971-72 wool clip. The expenditure estimate of \$60 million is subject to a considerable margin of uncertainty, as the level of payments will depend on actual market proceeds.

*Emergency Assistance to Woolgrowers.* The provision of \$150,000 in 1971-72 represents the amount outstanding under the one-year scheme, introduced last year, of emergency assistance to woolgrowers.

*Wool Marketing Assistance.* Payments are made 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 Commission; and half of brokers' administration charges relating to the plan. The increase of \$800,000 in 1971-72 reflects an expected increase in the quantity of wool to be included in the plan.

#### *Manufacturing Industries*

*Agricultural Tractors Bounty.* Actual expenditure for 1970-71 and estimated expenditure for 1971-72 include the temporary additional bounty on the sale of eligible tractors.

*Book Bounty.* The estimated decrease of \$717,000 in payments in 1971-72 is due mainly to the Government's decision, announced in May 1971, to exclude certain types of publications from the bounty.

*Shipbuilding Subsidy.* Ships are purchased by the Commonwealth and sold at prices up to one-third below cost. The 1971-72 estimate shows an increase of \$9,488,000 in gross expenditure compared with 1970-71. However, receipts from the sale of ships are expected to increase by \$18,066,000, of which \$6,075,000 represents recoveries in respect of expenditure in 1970-71.

*Sulphate of Ammonia and Urea Bounties.* These bounties were terminated in November 1970 after the Government accepted the recommendations of the Tariff Board in its report on Nitrogenous Fertilizers.

*Sulphuric Acid Bounty.* Provision has been made for the operation of this bounty to be extended until May 1972.

*Devaluation Compensation.* The scheme of assistance applied to exports up to the end of 1969 to markets affected by devaluation. It is expected that final payments under the scheme will be made in 1971-72.

*Export Incentive Pay-roll Tax Rebates.* As already announced, the incentive scheme will be continued, following the transfer of pay-roll tax to the States, on the basis of direct Commonwealth payments in respect of 1971-72 and 1972-73 exports. The forecast increase of \$5,250,000 reflects the continued increase in exports eligible under the scheme.

*Industrial Research and Development Grants.* The decrease in 1971-72 of \$3,250,000 is due mainly to the reduction in the general grant rate from 50 per cent to 35 per cent of companies' eligible expenditure on research and development in 1970-71.

#### *Mining Industries*

*Pyrites Bounty.* Provision has been made for the operation of this bounty to be extended until May 1972.

*Gold Mining Industry Assistance.* The estimated decrease results from declining production and a higher expected level of premium receipts from the sale of gold on the free market.



*Petroleum Search Subsidy.* New commitments under the subsidy scheme will be higher in 1971-72 than in 1970-71 but payments will be less because of a reduction in liabilities carried forward from 1970-71.

### COMMONWEALTH CONTRIBUTIONS TO PROMOTION AND RESEARCH

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

	1969-70 Actual	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000	\$'000
Wool Promotion and Research(a) .. .. .	13,091	27,744	27,973	+ 229
Objective Measurement of Wool .. .. .	..	446	850	+ 404
Other Rural Research(a)—				
Wheat .. .. .	900	730	750	+ 20
Meat .. .. .	1,426	1,490	1,750	+ 260
Dairy .. .. .	351	436	420	- 16
Fishing .. .. .	..	2	260	+ 258
Tobacco .. .. .	382	370	450	+ 80
Other(b) .. .. .	377	360	454	+ 94
Export Promotion Payments(c) .. .. .	3,840	4,306	4,735	+ 429
Coal Utilisation Research .. .. .	260	260	260	..
<b>Total .. .. .</b>	<b>20,627</b>	<b>36,144</b>	<b>37,902</b>	<b>+ 1,758</b>

(a) Does not include expenditure financed by industry contributions.

(b) Includes siresx wasp, barley, poultry, chicken meat, wine, dried fruits, pig, and other minor research.

(c) Includes expenditure on trade promotion visits.

### COMMONWEALTH ASSISTANCE TO INDUSTRY THROUGH THE TAXATION SYSTEM

The amount of revenue forgone in 1970-71 through the main taxation concessions for which figures are shown below, is estimated to have been about \$305 million.

Most, though not all, of that amount is forgone through concessions in the income tax law, which are shown in some detail below. (Pay-roll tax rebates, under the export incentive scheme, are shown in the section headed 'Commonwealth Payments to Industry.')

The special estate duty reliefs for primary production estates, introduced in the financial year 1969-70, cost \$3 million in 1970-71. 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 classes, and the estimated amounts of revenue forgone in 1970-71 are:—

	<i>Estimated Revenue Forgone in 1970-71 \$ million</i>
<i>Category A:</i>	
Investment allowance—	
Manufacturing(a) .. .. .	45.0
Primary production .. .. .	6.0
Export Market Development Rebate .. .. .	17.0
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' .. .. .	10.0
Expenditure on scientific research (excluding accelerated depreciation on plant) .. .. .	1.0
Moneys paid on shares—	
One-third of calls on mining or afforestation shares—sections 77c and 78 (1) (b) .. .. .	} 38.0
Moneys paid on shares for the purpose of exploration, prospecting or mining—section 77D .. .. .	
Capital expenditure of certain mining enterprises and in respect of transport of certain minerals (excluding deductions in respect of plant otherwise depreciable) .. .. .	54.0
Total Category A .. .. .	<u>171.0</u>
 <i>Category B:</i>	
Special depreciation allowable to 'primary producers' .. .. .	} 90.0(b)
Allowance of immediate deduction for fencing and underground piping instead of depreciation .. .. .	
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 and in respect of transport of certain minerals which would otherwise be subject only to depreciation .. .. .	
Total Category B .. .. .	<u>90.0</u>
 <i>Category C:</i>	
Exemption of certain mining profits .. .. .	17.5(c)
Total of Categories A, B and C .. .. .	<u>278.5</u>

For footnotes see page following



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 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 tax under the provisions, whichever is more favourable to them. The provisions are estimated to have involved a cost to revenue of approximately \$111 million in the five assessment years ended 1970-71, of which approximately \$24 million relates to revenue forgone in 1970-71.

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 up to 30 June 1971 is estimated at \$640,000.

With increasing mining production and continuing expenditure on exploration, it is probable that there will be further increases in the costs to revenue of the various income tax concessions which apply to the mining and mining exploration industries. In particular, increased production of bauxite, nickel and the other prescribed minerals, income from which is partly exempted under section 23A, will result in greater revenue losses in future years. Section 23A of the Income Tax Assessment Act provides for the exemption from income tax of one-fifth of the net income from the production or sale of certain prescribed metals and minerals. Also, 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 such tax-free income are exempt in the hands of shareholders of the mining and petroleum companies.

(a) The investment allowance on manufacturing plant and equipment has been suspended in respect of such expenditure incurred after 3 February 1971 unless it is incurred under a contract made on or before that date with the supplier of the goods or services involved.

(b) This estimate is based on the deductions allowable in the 1969-70 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.

(c) 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.



**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 1970-71, and estimated expenditures in 1971-72 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. 4, this table includes certain expenditures contained in other Items in that Statement.

	1970-71 Actual	1971-72 Estimate	Increase on 1970-71
	\$'000	\$'000	\$'000
<b>Social Welfare Benefits—</b>			
Social Services .. .. .	1,057,763	1,208,179	150,416
Health Services .. .. .	434,277	504,666	70,389
Housing Benefits .. .. .	20,312	27,192	6,880
<b>Total Social Welfare Benefits .. .. .</b>	<b>1,512,351</b>	<b>1,740,037</b>	<b>227,686</b>
<b>Repatriation Benefits .. .. .</b>	<b>315,165</b>	<b>355,410</b>	<b>40,245</b>
	<b>1,827,517</b>	<b>2,095,447</b>	<b>267,930</b>

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. 4. The totals of these expenditures are repeated in the following table which also gives particulars of the other Social Services expenditures.

Social Services	1970-71 Actual	1971-72 Estimate	Increase on 1970-71
	\$'000	\$'000	\$'000
National Welfare Fund expenditures (See Item No. 3, Statement No. 4) .. .. .	1,034,801	1,181,855	147,054
<b>Other expenditures—</b>			
Compassionate allowances and other special payments	91	99	8
Aged Persons Homes Act .. .. .	16,750	17,200	450
Sheltered Employment (Assistance) Act .. .. .	1,706	2,500	794
States Grants (Home Care) Act .. .. .	405	890	485
Telephone Rental Concessions .. .. .	2,955	3,860	905
Rehabilitation Service—Equipment .. .. .	60	75	15
Handicapped Children (Assistance) Act .. .. .	995	1,700	705
<b>Total—Other expenditures .. .. .</b>	<b>22,962</b>	<b>26,324</b>	<b>3,362</b>
<b>Total—Social Services .. .. .</b>	<b>1,057,763</b>	<b>1,208,179</b>	<b>150,416</b>

**HEALTH SERVICES**

Certain expenditures on 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. 4, provides details of those expenditures for Health Services charged to the National Welfare Fund. The following table shows the totals of the National Welfare Fund expenditures on Health Services and particulars of other national Health Services items not charged to the Fund.



Health Services	1970-71 Actual	1971-72 Estimate	+ Increase - Decrease on 1970-71
	\$'000	\$'000	\$'000
National Welfare Fund expenditures ( <i>See</i> Item No. 3 Statement No. 4) .. .. .	427,106	495,706	+ 68,600
Other expenditures—			
Tuberculosis Act—Capital expenditure .. .. .	469	373	- 96
States Grants (Milk for School Children) Act— Capital and incidental expenditure .. .. .	39	51	+ 12
States Grants (Mental Health Institutions) Act— Capital expenditure .. .. .	4,199	5,000	+ 801
States Grants (Nursing Homes) Act—Capital expendi- ture .. .. .	337	600	+ 263
States Grants (Paramedical Services) Act(a) .. .. .	..	67	+ 67
Blood Transfusion Services .. .. .	845	990	+ 145
National Fitness .. .. .	416	418	+ 2
Royal Flying Doctor Service .. .. .	351	827	+ 476
Hearing aids for Repatriation and other patients .. .. .	152	134	- 18
Drug education campaign .. .. .	362	500	+ 138
<b>Total—Other expenditures .. .. .</b>	<b>7,170</b>	<b>8,960</b>	<b>+ 1,790</b>
<b>Total—Health Services .. .. .</b>	<b>434,277</b>	<b>504,666</b>	<b>+ 70,389</b>

(a) No expenditures were incurred in 1970-71 under the *States Grants (Paramedical Services) Act 1969*.

HOUSING BENEFITS

Item No. 3, Statement No. 4, 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	1970-71 Actual	1971-72 Estimate	Increase on 1970-71
	\$'000	\$'000	\$'000
National Welfare Fund expenditures ( <i>See</i> Item No. 3, Statement No. 4) .. .. .	15,331	16,692	1,361
Other expenditures—			
States Grants (Dwellings for Aged Pensioners) Act .. .. .	4,981	6,500	1,519
Housing Grants .. .. .	..	4,000	4,000
<b>Total—Housing Benefits .. .. .</b>	<b>20,312</b>	<b>27,192</b>	<b>6,880</b>

REPATRIATION SERVICES

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



OUTLINE OF SOCIAL WELFARE AND REPATRIATION BENEFITS

A. SOCIAL WELFARE BENEFITS

SOCIAL SERVICES

Benefit	Rate (maximum)		
	Existing	Proposed 1971-72	Increase
	\$ a week	\$ a week	\$ a week
<b>Age and Invalid Pensions and Sheltered Employment Allowances—</b>			
Single person(a)	16.00	17.25	1.25
Married couple (Both eligible and living together)—each	14.25	15.25	1.00
Married couple (Both eligible but living apart for an indefinite period through ill health)—each(a)	16.00	17.25	1.25
Married couple (One eligible)(a)	16.00	17.25	1.25
Wife (if not a pensioner)(b)	7.00	8.00	1.00
First child under 16 years(c)	2.50	4.50	2.00
Second and each subsequent child under 16 years(c)	3.50	4.50	1.00
<b>Guardians' Allowances—</b>			
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	..
<b>Maternity Allowances—</b>			
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	..
<b>Multiple Births—</b>			
Additional payment for each additional child	10.00	10.00	..
<b>Child Endowment—</b>			
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	2.00	0.50
Each other child under 16 years	(d)	(d)	0.50
Student child 16 years and under 21 years	1.50	1.50	..
<b>Widows' Pensions(a)—</b>			
Class A—Widows with dependent children	16.00	17.25	1.25
<b>Mothers' Allowances—</b>			
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	4.50	2.00
Second and each subsequent child under 16 years(c)	3.50	4.50	1.00
Class B—Widows aged 50 years or more(e)	14.25	15.25	1.00
Class C—Widows under 50 years of age in necessitous circumstances(f)	14.25	15.25	1.00
<b>Funeral Benefits(g)</b>	40.00	40.00	..
<b>Unemployment and Short-term Sickness Benefits—</b>			
Adult or married minor	10.00	10.00	..
Spouse	7.00	8.00	1.00
First child under 16 years	2.50	4.50	2.00
Second and each subsequent child under 16 years	3.50	4.50	1.00
Person 16 and under 18 years	4.50	4.50	..
Person 18 and under 21 years	6.00	6.00	..
<b>Long-term Sickness Benefits(h)—</b>			
Adult or married minor	16.00	17.25	1.25
Spouse	7.00	8.00	1.00
First child under 16 years	2.50	4.50	2.00
Second and each subsequent child under 16 years	3.50	4.50	1.00
Person 16 and under 21 years	10.50	11.25	0.75
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 either or both of a married pensioner couple who, because of illness or infirmity, 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. With the increases in child endowment announced in the Budget Speech the rate payable for the fourth child will be \$2.25 a week, for the fifth child \$2.50 a week 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) A funeral benefit of up to \$40.00 is payable to an age, invalid or widow pensioner liable for the funeral costs of a spouse, a child or another such pensioner. A benefit of up to \$20.00 is payable to any person liable for the funeral costs of an age or invalid pensioner. For these benefits, 'pensioner' means a person who would be entitled to a pension if the tapered means test did not apply.

(h) Long-term sickness benefits are payable to persons who have been in receipt of sickness benefits continuously for six weeks. A supplementary allowance at a maximum rate of \$2.00 a week is payable subject to the payment of rent and to a means test. Persons in hospital who have no dependants do not qualify for these 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 \$5.00 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.

## HEALTH SERVICES

Benefit	Rate (maximum)		
	Existing	Proposed 1971-72	Increase
	\$	\$	\$
<b>Hospital Benefits(a)—</b>			
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.	..
<b>Nursing Home Benefits—</b>			
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)	..
<b>Tuberculosis Allowances(h)—</b>			
Eligible person without dependants .. .. .	19.25 p.w.	20.50 p.w.	1.25 p.w.
Eligible person with dependent child .. .. .	24.00 p.w.	25.25 p.w.	1.25 p.w.
Eligible person with dependent spouse .. .. .	31.75 p.w.	33.75 p.w.	2.00 p.w.
First dependent child under 16 years .. .. .	2.50 p.w.	4.50 p.w.	2.00 p.w.
Each other dependent child under 16 years .. .. .	3.50 p.w.	4.50 p.w.	1.00 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 persons. This entitlement applies to family groups of at least two units where the family income is \$46.50 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 \$46.50 a week and \$49.50 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 \$49.50 a week and \$52.50 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) 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. Legislation is to be introduced to increase the patient contribution to \$1.00 per prescription except for those persons eligible to receive assistance under the Subsidised Health Insurance Scheme (see (a) above).

(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 benefits for medical treatment given to contributors to registered medical insurance organisations and the dependants of those contributors.

(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 provides 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 16 years and over suffering from tuberculosis. The rates of allowance are slightly lower where a patient without dependants receives free treatment in an approved institution.

(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.

### HOUSING GRANTS

As announced in the Budget Speech, the Commonwealth has decided to offer the States, in respect of their housing activities in each year from 1971-72 to 1975-76, a basic grant of \$2,750,000 a year payable for a period of thirty years. This will replace the interest concession on housing advances made by the Commonwealth up to 30 June 1971.

The Commonwealth has also decided to offer additional assistance to the States for housing, in the form of a grant of \$1,250,000 each year for the next five years, as a general contribution towards reducing housing rents for needy families occupying housing authority homes.

### B. THE MAIN REPATRIATION BENEFITS

Benefit	Rate		
	Existing	Proposed 1971-72	Increase
	\$ a week	\$ a week	\$ a week

#### (1) PAYABLE WITHOUT MEANS TEST

Special Rate Pensions(a)—			
Member .. .. .	39.00	42.50	3.50
Wife .. .. .	4.05	4.05	..
Each Child .. .. .	1.38	1.38	..



Benefit	Rate		
	Existing	Proposed 1971-72	Increase
	\$ a week	\$ a week	\$ a week
(1) PAYABLE WITHOUT MEANS TEST— <i>continued</i>			
Intermediate Rate Pensions(b)—			
Member .. .. .	28.50	30.25	1.75
Wife .. .. .	4.05	4.05	..
Each Child .. .. .	1.38	1.38	..
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 .. .. .	4.50 to 6.00	4.50 to 6.00	..
Amounts for certain amputations and/or loss of vision (e)—			
Two arms amputated .. .. .	27.00	30.50	3.50
Two legs and one arm amputated .. .. .	27.00	30.50	3.50
Two legs amputated above the knee .. .. .	27.00	30.50	3.50
Two legs amputated and loss of eye .. .. .	27.00	30.50	3.50
One leg and one arm amputated and one eye destroyed .. .. .	27.00	30.50	3.50
One leg and one arm amputated .. .. .	27.00	30.50	3.50
One leg amputated above and one below the knee .. .. .	7.10	11.20	4.10
Two legs amputated below the knee .. .. .	4.75	7.50	2.75
One arm amputated and one eye destroyed .. .. .	4.20	6.50	2.30
One leg amputated and one eye destroyed .. .. .	4.20	6.50	2.30
One leg amputated above the knee .. .. .	2.15	3.25	1.10
One leg amputated below the knee .. .. .	1.35	1.70	0.35
One arm amputated above the elbow .. .. .	2.15	3.25	1.10
One arm amputated below the elbow .. .. .	1.35	1.70	0.35
Loss of vision in one eye .. .. .	1.80	2.50	0.70
War Widows' (f)—			
Pension .. .. .	16.00	17.25	1.25
Domestic Allowance .. .. .	8.00	8.00	..
War Orphans' Pensions (g)—			
Father dead—			
First child .. .. .	6.00	7.00	1.00
Each other child .. .. .	5.00	7.00	2.00
Both parents dead—			
Each child .. .. .	12.00	14.00	2.00
Sustenance Allowance(h)—			
Higher rate .. .. .	39.00	42.50	3.50
Lower rate .. .. .	12.00	12.00	..
Attendants' Allowances (i)—			
Higher Rate .. .. .	14.00	16.00	2.00
Lower Rate .. .. .	8.50	9.50	1.00
Education and Training Allowances (payable under Soldiers' Children Education Scheme)(j)—			
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	..



Benefit	Rate		
	Existing	Proposed 1971-72	Increase
	\$ a week	\$ a week	\$ a week

(1) PAYABLE WITHOUT MEANS TEST—*continued*

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 .. .. .	13.46	13.46	..
Living away from home .. .. .	21.16	21.16	..
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	..
Excessive wear and tear due to a pensionable disability	22.10 max a year	22.10 max a year	..
Funeral Benefits—			
Towards the funeral expenses of certain classes of deceased ex-servicemen and eligible dependants ..	50.00 } lump max	50.00 } lump max	..
Towards the cost of transportation of the remains of certain ex-servicemen .. .. .	30.00 } lump max	30.00 } lump max	..
Recreation Transport Allowances(k)—			
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 (l) .. .. .	300.00 a year	300.00 a year	..

(2) MAXIMUM RATES PAYABLE SUBJECT TO MEANS TEST

Service Pensions(m)—			
Member—Single .. .. .	16.00	17.25	1.25
Married .. .. .	14.25	15.25	1.00
Addition for first child .. .. .	2.50	4.50	2.00
Addition for each other child .. .. .	3.50	4.50	1.00
Wife's Pension (if not a pensioner)(n) .. .. .	7.00	8.00	1.00
First child (if no addition to member's pension paid)	2.50	4.50	2.00
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.



(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) These are additional amounts payable to general rate pensioners who have suffered specified amputations and/or loss of vision in one eye as a result of war service.

(f) 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, or who served in a theatre of war and died as a direct result of pulmonary 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 Commission and who, in the opinion of the Commission, is not receiving an adequate living wage.

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

(h) Sustenance allowance is payable to an ex-serviceman who is prevented from following his usual occupation by the necessities of treatment for a disability accepted as war-caused. The allowance is payable at the higher rate during in-patient treatment, including essential convalescence; or for out-patient treatment or a combination of in- and out-patient treatment for a continuous period in excess of 28 days. It is payable at the lower rate for a period of up to 28 days where out-patient treatment of a war-caused disability prevents the ex-serviceman from following his usual occupation. It is also payable at the lower rate where investigation of a claim for pension or disability (either as an in- or out-patient) prevents an ex-serviceman from working. The amount of sustenance allowance payable is reduced by the amount of any war pension payable to the ex-serviceman.

(i) 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 amputations to both legs above the knees; or been blinded; or is deemed by the Repatriation Commission to be blinded and in need of an attendant; or, as a consequence of an injury or disease affecting the cerebro-spinal system or an injury or disease similar in effect and severity, is deemed by the Repatriation Commission to be in need of an attendant;

provided the disabilities are due to war service.

(j) 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.

(k) 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. An allowance for recreation transport is also payable, at the lower rate, to the totally war blinded.

(l) 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.

(m) 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 the ex-serviceman 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 the payment of rent and to a means test:

to a single service pensioner;

to a married service pensioner 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'; and

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.

(n) Wife's service 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.

### APPROPRIATION BILL (No. 2) 1971-72

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

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

#### Second Reading

Mr SNEDDEN (Bruce—Treasurer) (9.2)—I move:

That the Bill be now read a second time.

This Bill contains details of proposed appropriations of the Consolidated Revenue Fund in 1971-72 totalling \$710,462,000 for expenditure on (a) the construction of public works and buildings; (b) the acquisition of sites and buildings; (c) advances and loans; (d) items of plant and equipment which are clearly definable as capital expenditure; (e) grants to the States under section 96 of the Constitution; and (f) new policies not authorised by special legislation.

Included in the above total is an amount of \$25m as an advance to the Treasurer for the purposes set out in the Bill. The proposed expenditures in this Bill were dealt with as appropriate in my Budget Speech. I commend the Bill to honourable members.

Debate (on motion by Mr Crean) adjourned.

### BUDGET 1971-72

Mr SNEDDEN (Bruce—Treasurer)—I present for the information of honourable members the following papers in connection with the Budget for 1971-72:

Estimates of Receipts and Summary of Estimated Expenditure for the year ending 30 June 1972.

Commonwealth Payments to or for the States 1971-72.

National Income and Expenditure 1970-71.

Government Securities on issue at 30 June 1971.

Commonwealth Income Tax Statistics for income year 1968-69.

Civil Works Programme 1971-72 circulated by the Minister for Works.

Ordered to be printed.

### POSTAL AND TELEPHONE

#### CHARGES

#### Ministerial Statement

Sir ALAN HULME (Petrie—Postmaster-General and Vice-President of the Executive Council)—by leave—My colleague the Treasurer (Mr Snedden) has referred in his Budget Speech to new postal and telephone charges which are to be introduced during the financial year 1971-72. The legislation relating to these will be introduced during this session. For the benefit of honourable members the proposed adjustments are set out in some detail in the schedules now available to them. The increase in the charges for telecommunications and postal services are proposed to be effective in the main from the 1st October 1971.

As recorded in my White Paper on Post Office Prospects and Capital Programme 1971-72, at the beginning of the financial year 1970-71 the overall Post Office trading profit was estimated at \$30m. By the end of the year this had changed to a trading loss of \$2m with a loss on postal operations of \$25m and a profit on telecommunications operations of \$23m. The long-term forecast for the financial year 1971-72 was a modest profit. Without an adjustment in charges the current forecast is a loss of \$36m—\$35m in postal and