

**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 for 1972-73.

Our proposals are geared to achieve social and economic goals of significance to all Australians and particularly families. The briefest portrayal of the Budget is as follows: taxes down; pensions up; and growth decisively strengthened.

**THE ECONOMY**

Over the years the Australian economy has demonstrated a growth capacity of better than 5 per cent in real terms. In 1971-72 growth was 3 per cent. We aim to step up that rate, and the Budget is designed to do so.

Last year was a difficult one from both a domestic and an international viewpoint. We did well to come out of it with a growth rate of 3 per cent. The ink was hardly dry on last year's Budget before the international monetary crisis jolted world confidence severely. Its consequences for our major trading partners, particularly Japan, dampened expectations and led to capital expenditure cutbacks in the mining and other industries. These uncertainties were reinforced domestically by the continuing upsurge of wage pressures. Costs and prices rose rapidly and there was a marked setback to business confidence. The employment outlook changed quite quickly and consumers became more cautious.

The impact of these developments on the economy was far from uniform. Public sector outlays grew strongly—up about 13 per cent in current prices. Exports also rose strongly—up 13 per cent. This rise has been reflected in, among other things, a welcome lift in farm incomes. Another strong growth area has been housing. Last year 146,000 new dwellings were commenced—up 6 per cent. The upward trend quickened in the second half of the year.

That is one side of the coin. The other is to be seen in the weakness in consumer spending and in business investment.

For the year, consumer spending at constant prices rose by about 3 per cent. A

variety of reasons has been advanced. Personal borrowing for the purchase of consumer durables fell off and savings ran high. A natural consumer resistance to higher prices seems to have played a role. And, although money wages have been rising rapidly, the increasing bite of the progressive personal income tax scale has combined with rising prices to restrict severely growth in the real purchasing power of take-home pay. Single income families, especially those with children, have been particularly hard hit.

This slackness in consumer spending has been basic to the economy's lack of punch. Our first objective in this Budget, therefore, is to create conditions conducive to stronger consumer spending.

Business investment, too, has been flagging. In part, this reflects some decline, perhaps inevitable, in expectations in the mining industry. Some tailing away has also occurred in the strong boom that has been running in some sectors of construction although there has been a recent upturn in building approvals. But in manufacturing industry particularly, an important underlying cause has been slack demand. As consumer demand picks up, investment in those areas will pick up also.

We have, of course, already taken progressive action to steer the economy back to a proper course. Monetary conditions have been made easier and interest rates brought down. Public sector spending was boosted at the Premiers' Conferences in February and June. In April the basic social services and repatriation pensions were increased and the ongoing rate of personal income tax levy was reduced from 5 per cent to 2½ per cent. All of these measures are playing their part. But the economy has proved hard to budge from its too-subdued growth path.

This lagging response is evident in the labour market. At the end of July, 2 per cent of the work-force, after seasonal adjustment, was registered for employment with the Commonwealth Employment Service. This figure compares well with almost any other developed country today. But it is too high for us, and we are determined to reduce it.

The other great problem with which we have had to contend is the continuing upward pressure on costs and prices. Over the past 3 years the consumer price index rose

at an annual average rate of 5 per cent, while earnings rose on average by 10 per cent annually. The wage and price rises during this time have been the highest since the Korean war boom. The resulting heightening of inflationary expectations has been only too evident. This process had to be stopped and reversed.

I am glad to say that the heightening tendency has been stopped and there are even some signs that a reversal may be in train. These are early days. But certainly, the price indices themselves have slowed somewhat in their upward rush. The consumer price index increased by 7 per cent in the year to the last December quarter. In the year to the June quarter of 1972 the increase, while still far too high at 6.1 per cent, was at least appreciably less.

It remains to be seen whether this is merely a temporary departure from the earlier trend or a pointer to a new one. Pressures for more frequent and ever-larger increases in money wages remain. While they do, the evils of inflation will persist.

In many past years, budget policy has been inhibited by balance of payments considerations. That is not so this year. Booming exports and a record level of capital inflow have contributed to a large surplus in the balance of payments. The Government is currently reviewing policies in relation to certain aspects of capital inflow into Australia.

To summarise: the economy at present is moving in the right direction. A modest abatement of inflationary trends has been achieved. Demand, although patchy, is growing. Confidence generally has improved in recent months. There is, however, some slack in the economy and in the absence of further action it would be some time before it was fully taken up.

#### PHILOSOPHY AND OBJECTIVES

In looking at the year ahead the Government has had in mind a number of considerations.

First, although there is some slack in the economy, it would be irresponsible to provide such a strong budgetary stimulus that a renewed inflationary boom was created. We want to see the rate of growth stepped up considerably. But with liquidity already very high and certain to rise higher, and

with prices still rising by around 5 per cent per annum, to go further would be foolhardy.

Secondly, for some time now public sector spending has run ahead very fast, with private sector spending lagging. There are important needs served by our public expenditures but there are also costs—whether from the viewpoint of the individual taxpayer, who finds taxation more and more a burden, or of the private sector as a whole, which finds its room for growth constrained.

It is central to our objectives that the needed stimulus to the economy should not be by way of an excessive growth of Commonwealth expenditures. We have sought as much scope as possible for reducing the burden of taxation. That has been our primary aim and I believe we have achieved it.

Thirdly, in framing our proposals we have selected measures which provide a boost to private sector spending, but also new initiatives with longer-term objectives.

Finally, we have also been determined to find room for measures having merit on broader grounds of social welfare and equity.

I come now to our expenditure proposals.

#### EXPENDITURE

The forward estimates of expenditure, the implementation of which I announced last year, have proved helpful. Accordingly, we will continue with the further development and application of the forward estimates procedures.

A detailed analysis of the expenditure estimates is set out in the accompanying Statements. In total, expenditures are estimated to increase this year by \$1,045m or 11.6 per cent to \$10,078m. This is virtually the same rate of increase as occurred last year.

#### Payments to the States

Payments to the States constitute the largest single element in the Commonwealth's expenditures. Including funds to finance State works and housing programmes, they are estimated to increase by \$395m, to \$3,449m.

At the June Premiers' Conference we increased the financial assistance grants by an extra \$128m, of which \$124.5m escalates under the formula.

Total general revenue assistance, including special grants recommended by the Grants Commission, is estimated at \$1,692m. Adjusting for the transfer of pay-roll tax, the estimated increase is about \$280m.

State works and housing programmes at \$892m, including \$248.5m in grants, are \$90m greater. This will provide a significant boost to State capital expenditure.

Specific purpose payments for purposes such as roads, schools and universities are expected to increase by 24 per cent to \$775m.

#### NATIONAL HIGHWAYS

We will provide up to \$2.5m over 4 years to South Australia for completion of the sealing of the Eyre Highway. This demonstrates our interest in seeing adequate progress in the development of highways which serve as major interstate links.

We will develop in consultation with the States a suitable programme for further improvement of the national highway system, to be an integral part of the general arrangements for assistance to the States for roads beyond June 1974 when the present Commonwealth Aid Roads legislation expires. \$250,000 is provided this year for investigations and planning to develop such a programme.

#### Defence

There is a requirement to develop defence forces with a greater independent capability so that we may be more self-reliant in protecting our own interests and in dealing with lesser military situations. There is also a requirement to intensify our defence understandings with our neighbours as a contribution to confidence and stability in the region. In addition, there is a need to maintain our understanding with the United States to provide a foundation of Australian security in the contingency of threats or actual attack going beyond Australian capacity to deal with alone.

Even after allowance for the reduction in National Service, the Defence Vote proposed is \$1,323m—\$106m more than expenditure last year. Additional Estimates may well be needed for Forces' pay and allowances when the recommendations of the Woodward Committee of Inquiry are received.

Expenditure proposed for capital equipments is \$200m compared with \$140m last year. Major equipments to be delivered this year include the initial batch of 6 F111C aircraft and initial deliveries of medium-lift helicopters. Provision has been made for the refitting of HMAS Vendetta and for the RAN hydrographic ship which is due for completion in early 1973.

New capital equipments will be ordered this year. Chief among these are 3 destroyers, with ancillary helicopters, at a total estimated project cost, in 1972 prices, of \$355m. The expenditure will be spread over a decade. Expenditure this year for strategic bases, service accommodation and other defence facilities is \$57m.

\$1,065m is for non-capital expenditure—up \$42m. The increase reflects price and wage increases.

#### Assistance to Industry

Details are given in Statement No. 9.

Assistance under the export incentive scheme is expected to total \$68m—up \$9m.

There will be a substantial increase in assistance to the shipbuilding industry. The net amount provided is \$33.7m, up \$20.3m.

Payments to rural industries are estimated to total \$233m compared with \$297m last year, and \$210m in 1970-71.

The decrease is due largely to the lower requirement expected for wool deficiency payments, now that wool prices have improved. As already announced, the Government has decided to extend the deficiency payments scheme for woolgrowers until 30th June 1973 on the same basis as in 1971-72.

Following the Government-sponsored two-year programme of research and commercial trials on pre-sale objective measurement of wool, a further allocation of \$700,000 is made for research, implementation and development. Also provided is \$27m towards the cost of financing the joint industry-Government wool research and promotion programmes. Other wool marketing assistance includes \$4.2m towards the costs involved in handling wool included in the Price Averaging Plan.

Expenditure under the wheat industry stabilisation scheme in respect of exports from the 1971-72 crop is expected to be

\$47m. Last year expenditure was \$58m and included payments for both the 1969-70 and 1970-71 crops.

A new five-year stabilisation plan for the dairy industry commenced on 1st July 1972. Under the plan the level of government assistance is determined each year in the light of the needs and circumstances of the industry. The amount for bounty on butter and cheese in 1972-73 is \$28.5m.

The Nitrogenous Fertilizer Subsidy Act which is due to expire on 31st October 1972 will be continued until 31st December 1974. Expenditure this year is estimated at \$10m.

\$56m, the whole of the balance of the \$100m originally intended for expenditure over 4 years, is provided in the estimates this year for the continuation of the rural reconstruction scheme. We have agreed to provide a further \$15m to finance assistance approved in the latter part of 1972-73 but carried over for payment in 1973-74.

It is estimated that \$4m will be paid to the States under the marginal dairy farms reconstruction scheme.

A fruit growing reconstruction scheme, supplementary to the main rural reconstruction scheme, will be introduced. \$4.6m will be provided to assist the removal of surplus trees by growers of canning peaches and pears, and fresh apples and pears, who are in financial difficulties. Expenditure of \$2m is expected this year.

The new scheme will take time to come fully into effect. Meanwhile, the fresh apple and pear industry is facing a particularly unfavourable situation and we will provide special short-term assistance. The maximum quantity of apples and pears which may attract the maximum payment under the stabilisation scheme is to be raised by 500,000 bushels for 1972 exports only. The provision for payments by the Commonwealth in 1972-73 has been increased to \$3,150,000.

Subject to the proviso that all mainland State Governments will implement production controls, we will provide a once-and-for-all grant of \$750,000 to the egg industry to help sustain producer returns while the present large stocks of egg pulp are being cleared.

The campaign to eradicate bovine brucellosis and tuberculosis will be intensified.

Subject to agreement with the mainland States to provide funds on a \$ for \$ basis, the Commonwealth will increase its contributions to \$4m—up \$1.6m on last year. Additional expenditures of \$360,000 in the Commonwealth Territories will be provided if required this year.

#### RURAL LENDING FACILITIES

After an intensive review of the long-term credit facilities available to farmers, the Government has come to the view that there are deficiencies. The Budget provides a sum of \$20m to be appropriated for purposes of facilitating the increased availability to farmers of long-term loans. The measures to be adopted have still to be finalised; the intention is to bring down legislation in this session of the Parliament.

#### Advances for Capital Purposes

Advances for capital purposes will increase by \$29m to \$522m.

There is a reduction in the advance to Qantas. Last year Qantas received \$74.2m in overseas loans for aircraft acquisition—this year it is receiving \$11.6m, plus \$25m additional share capital.

The Australian National Airlines Commission is to be advanced \$13.4m for aircraft purchases. The Commission is also being advanced \$25m to assist it to introduce new accounting arrangements for superannuation. There is an offsetting receipt of \$21m from the Commission.

The capital of the Australian Industry Development Corporation has been increased by a further \$12.5m to a total of \$50m.

Capital of the Export Payments Insurance Corporation will be increased from \$4m to \$8m.

An advance of \$288m is provided for the Post Office. After allowance for special factors this is an increase of over 11 per cent.

#### Other Capital Works and Services

Expenditure on other capital works and services is estimated at \$264m, slightly less than last year. A number of major new projects will be commenced this year, but expenditure on them in 1972-73 will be



relatively small. The major items involved relate to community welfare and municipal service projects, principally in the mainland territories.

The near completion of projects to extend and up-grade airport runways at both Melbourne and Sydney will result in an estimated \$17m less being spent this year on civil aviation works.

Following an agreement with the South Australian Government we will construct a railway from Tarcoola to Alice Springs. The total cost is estimated at \$54m at current prices. Expenditure of \$3.4m is expected this year.

New computing facilities for the Department of Customs and Excise will cost \$1.6m this year.

#### Departmental Running Expenses

The rapid increases in wage and salary payments in 1971-72 are reflected in the estimated increase of \$62m or about 10 per cent in departmental running expenses. There was an additional public service pay-day in 1971-72—the increase this year would otherwise have been larger.

Rapid increases in departmental running expenses cannot go on unfettered without effects on the resources available to pursue other government policies. Last year I announced a review of existing functions and activities of departments. This review has not yet been completed. Its benefits are expected to emerge in the longer term.

The rates of compensation for Commonwealth employees have been increased. The lump sum payment for death will be \$14,500 and the weekly incapacity rate will be \$43 for a single man, \$11 for a wife and \$5 for each dependant child. The new rates will apply from the date of Royal Assent to the enabling legislation.

#### GRANTS TO ORGANISATIONS

\$5.7m will be provided for the Performing Arts—an increase of \$1.5m. Assistance for Art, Literature, Film and Composition will be \$1.7m. \$950,000 will be paid to the Australian Film Development Corporation.

Assistance to the National Fitness movement in the triennium commencing 1st July 1972 will be increased. The yearly operational grant, now \$350,000, becomes

\$500,000. The total capital grant, over the triennium, now \$200,000, becomes \$300,000.

The annual grant to the Australian Conservation Foundation will be increased from \$50,000 to \$150,000. A grant of \$20,000 is being made to the Keep Australia Beautiful Council. The Australian Council of National Trusts will receive an additional \$50,000 a year. The grants to the Surf Life Saving Association and the Royal Life Saving Society will be increased from \$34,000 to \$50,000 per annum in each case. An annual grant of \$5,500 is to be made to the National Council of Women.

#### ROAD SAFETY

In addition to the annual grant to the States of \$150,000 for road safety promotion, the Budget provides \$575,000 for direct Commonwealth expenditure on road safety promotion and research, an increase of \$175,000.

#### ASSISTANCE FOR TOURIST ATTRACTIONS

An approach has been made to the States seeking their agreement to a programme of development of tourist attractions—such as Australian and pioneer settlements, the preservation of historic sites and buildings, fauna sanctuaries and the like—considered to have particular appeal to overseas visitors to this country. The Commonwealth will match expenditure by the States \$ for \$ up to a total Commonwealth expenditure of \$1m annually. \$250,000 may be needed in 1972-73.

#### ABORIGINAL ADVANCEMENT

Aggregate expenditure on Aboriginal advancement in 1972-73, including payments from the Aboriginal Advancement Trust Account, is expected to be \$53.2m—up \$21.9m or 70 per cent. Grants to the States for expenditure by them on housing, health, education and other programmes will increase by 58 per cent to \$14.5m. An amount of \$5m will be available in 1972-73 for the acquisition of properties off reserves, and \$3.7m is being provided for the Aboriginal Secondary and Study Grants schemes. The Northern Territory Administration expects to spend \$24.6m on Aboriginal advancement in 1972-73, an increase of \$9m or 58 per cent.

#### INDUSTRIAL TRAINING

Because a skilled work-force plays a critical part in improving productivity, the Government will continue its policy of stimulating industry to improve the quality of training.

We intend to introduce a cash subsidy scheme to promote the training of apprentices.

Two new employment training schemes are proposed—one to extend training assistance to persons made redundant and the other to enable persons with a history of unemployment to acquire job skills which are in demand. We shall increase the level of subsidy to employers under the employment training scheme for Aborigines.

We also propose to further encourage the employment and training of training specialists.

The total estimated cost of these new initiatives for 1972-73 is \$1.9m and, in a full year, \$4.7m.

#### ASSISTANCE WITH FARES

The Government has decided that unemployed persons should not be inhibited in seeking employment by the cost of fares, and will be asking the States for their co-operation in developing a viable scheme.

The estimated cost in 1972-73 is \$200,000.

Details of this and the training proposals will be given by the Minister for Labour and National Service.

#### IMMIGRATION

The steady growth of Australia's population continues to be a major goal of policy. Our economic development and growth as a nation for 25 years has owed very much to our success in attracting migrants. We must continue those active migration policies which have been serving us so well. Accordingly, the Government has decided, on the basis of the economy's likely needs and the availability of suitable settlers, that the immigration programme for 1972-73 should be 140,000. Assisted passages will be provided for 90,000 at a cost of \$29.6m.

Increasing emphasis is to be placed on migrant counselling and selection, and on English language training and migrant wel-

fare services. Additional expenditure this year is \$3.2m. The Minister for Immigration will give details.

#### EXTERNAL AID

In relative terms, Australia's aid performance in respect of both volume and type of aid ranks us among the world leaders.

As shown in Statement No. 8, the estimates provide for a total of \$220m to be spent on official economic aid to developing countries, including \$145m for Papua New Guinea.

Nearly \$14m will also be provided for defence aid to certain developing countries in South-East Asia. In addition, we shall continue to assist in the development of Papua New Guinea's defence force.

#### SOCIAL WELFARE

The Budget provides for significant advances in all areas of social welfare—education, housing, health and pensions.

#### Education

The education of all Australians continues to be a particular concern of the Commonwealth. Direct expenditure by the Commonwealth, including payments to the States for education, is expected to reach \$426m—up \$72m.

In addition to general financial assistance, specific payments to the States for education are estimated to reach \$250m, compared with \$206m last year.

The largest grants, totalling \$138m, are for universities and colleges of advanced education. Provision has been made for the new triennial programmes which commence in January 1973.

Other payments to the States including capital grants for school construction, secondary school science laboratories and libraries, technical colleges and teachers colleges and per capita grants for independent schools are expected to be \$112m, an increase of \$30m.

The grants to the Australian National University and the Canberra College of Advanced Education are \$42m. Expenditure

on schools and technical colleges in the Australian Capital Territory and the Northern Territory is estimated at \$49m, compared with \$39m last year.

From the beginning of 1973 there will be significant increases in the number of Commonwealth tertiary scholarships available, together with an increase in benefits. The number of Open Entrance University Scholarships will be increased by 1,000 to 9,500, the number of Later Year University Scholarships by 1,000 to 5,000 and the number of Advanced Education Scholarships by 2,000 to 6,000 awards. In addition, there will be increases in the living allowances and a substantial relaxation of the means test applicable to those living allowances. Commonwealth Post-graduate Scholars will receive an increase in their stipends from \$2,600 to \$2,900 per annum. In all, expenditure on tertiary scholarships this year is estimated at \$47m—up \$9m.

The Government has decided to change the arrangements for Commonwealth Secondary Scholarships. The new scholarships will be tenable during the last 2 years of secondary schooling, and will be awarded on the present competitive basis. There will be 25,000 new awards each year, compared with 10,000 under the existing scheme. There will be a change in the benefits. Each award will carry a basic allowance of \$150 per annum and a further allowance of up to \$250 per annum will be available subject to consideration of family income. Holders of the present Commonwealth Secondary Scholarships who are now in the first year of their awards will receive benefits for their final year in 1973 on the existing basis. During 1972-73 payments are estimated at \$8.4m compared with \$6.9m last year.

During the 1973-75 triennium, grants for research projects recommended by the Australian Research Grants Committee will be \$20m, up 48 per cent on the present triennium. This year expenditure is estimated at \$6m compared with \$4.5m last year.

The Commonwealth wishes to join with the States in a programme to promote the study of Asian languages and cultures in Australian schools. The Commonwealth will contribute \$1.5m over a 5 year period. Expenditure this year is estimated at \$100,000.

The Minister for Education and Science will make a detailed statement, and present

the reports of the Australian Universities Commission and the Australian Commission on Advanced Education for the 1973-75 triennium together with our decision on the recommendations.

#### Housing

We propose changes in the Homes Savings Grant Act to keep it attuned to current conditions. The maximum value of a home which may attract a grant will be increased from \$17,500 to \$22,500. We will also increase the maximum grant from \$500 on savings of \$1,500 to \$750 on savings of \$2,250, with an appropriate increase in the limit on annual qualifying savings. These increases will apply to homes bought or built or whose construction commences, on and after tomorrow. The requirements governing the eligibility of savings in credit unions will be substantially relaxed by requiring only one condition, namely, that not less than 20 per cent of its total annual lending is in housing loans. The cost of these proposals is estimated at \$8.5m this year and \$9.8m in a full year.

An amount of \$70m—up \$5m—has been provided for advances under the War Service Homes scheme.

#### Health

The Government has reviewed the arrangements for assisting people requiring nursing home care. We propose to introduce new integrated measures to help not only chronically ill patients in nursing homes, but also to assist aged infirm people who can be looked after in a home environment.

We shall introduce a nursing home insurance benefit for contributors to hospital insurance organisations. Pensioners who have Pensioner Medical Service entitlement cards will also receive this benefit as additional assistance without having to join a hospital fund.

When added to the existing Commonwealth benefits of \$24.50 a week for ordinary care patients and \$45.50 a week for intensive care patients, these new benefits will give nursing home patients greater financial protection against the cost of fees. The amount of the new benefit will vary as between the States. The Minister for Health will give details.

To reduce the demand for nursing home treatment a new domiciliary care benefit will be payable to a person who, in his own home, accepts responsibility for the provision, on a regular and continuing basis, of professional nursing care and supporting services required by an aged relative. The benefit will be available on the basis of medical need in accordance with requirements determined by the Department of Health and will be paid at the rate of \$14 a week. As in the case of nursing home benefits, it will not be subject to a means test.

The National Health Act will be amended to authorise the introduction of the new nursing home benefits and associated arrangements on 1st January 1972. The domiciliary care benefit will commence from 1st March 1973.

To encourage the availability of professional nursing care in the home, it is proposed to increase, with effect from 1st September 1972, the existing Commonwealth subsidy to approved organisations providing home nursing services. For organisations established before September 1956, the annual Commonwealth payment for each nurse who attracts subsidy will be increased from \$3,200 to \$4,300. For organisations formed after that date, the subsidy for each nurse employed will be increased from \$1,600 to \$2,150 a year. As at present, the Commonwealth subsidy to any organisation will not exceed that paid to the organisation by a State. The Minister for Health will be making a general statement.

To encourage the provision of hostel accommodation for the aged we will, as a special arrangement limited to 3 years, grant organisations that are eligible under the Aged Persons Homes Act special assistance. The Commonwealth will meet the cost of 2 hostel beds for every one unsubsidised bed operated by the organisation or one bed for 2 where the accommodation was previously subsidised on a \$ for \$ basis. A condition will be that the beds are allocated without donation and in accordance with need. These additional hostel beds will be provided up to a cost not exceeding \$7,800 per single unit which is the amount presently allowable for maximum subsidy purposes. In addition, a grant of \$250 per unit will be made towards the furnishing of these additional hostel units.

We will also double the present rate of subsidy to eligible organisations providing personal care services for the aged in hostel accommodation. The new rate will be \$10 per week for each occupant aged 80 years or more.

The cost of these measures in the nursing home, home nursing and aged persons homes areas is estimated at \$16.9m in 1972-73 and \$43.9m in a full year.

#### Child Care

To benefit children from low income and other special need families, the Government proposes to introduce legislation as soon as possible to assist in the establishment and running of child care centres operating on a non-profit basis. It is envisaged that these centres will cater for the children of working parents, giving priority of admission to children in special need, such as those from single parent families, and to the children of sick or incapacitated parents.

We propose subsidies to enable these centres to offer reduced fees for low income families and others in special need. Unmatched capital grants will be made available direct to approved non-profit organisations for the provision and equipping of such centres and staff subsidies will be provided to encourage the employment of certain appropriately qualified staff. The estimated cost of the scheme this year is \$5m.

#### Social Services

I will deal first with the position of the more needy.

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

Last April the standard rate of pension was increased by \$1.00 a week and the rate for a married pensioner couple by \$1.50. When introducing these measures I then said I was anticipating what would normally have been part of our budget measures.

The Government now proposes that the standard rate of age, invalid and repatriation service pension payable to single people and the pension payable to widows with children be increased to \$20.00 a week—that is, by a further \$1.75. This brings to \$4.50, or 29 per cent, the increase in the standard rate pension since March 1971.

Widows without children will receive an increase of \$1.25 a week to a new maximum

weekly rate of \$17.25. The combined age, invalid or service pension of a married couple who are both pensioners will be increased by \$2.50, raising the maximum weekly payment to them to \$34.50.

The Government has given particular attention to relieving hardship. We will extend eligibility for pension, at the married rate, to the wife of an age, invalid or service pensioner, now not qualified herself for pension. After taking account of the consequential reduction in the husband's pension in such cases from the standard to the married rate, the present position of such married couples will improve by up to \$8.25 a week where the wife is now eligible for wife's allowance and up to \$16.25 a week in other cases.

Further, the supplementary assistance to pensioners paying rent, which is payable subject to a separate means test, will be increased from the present maximum rate of \$2 to \$4 a week. We propose also to extend eligibility for supplementary assistance to married pensioner couples paying rent.

The rates of long-term sickness benefit will increase by \$1.75 a week for adults and by \$1 a week for unmarried minors. The maximum rate of supplementary allowance of \$2 a week for long-term sickness beneficiaries will also be increased to \$4 a week.

The increases in the rates of social service pensions and repatriation service pensions and in supplementary assistance and the extensions of eligibility will apply, as appropriate, to rehabilitation, sheltered employment and tuberculosis allowances.

#### EASING THE MEANS TEST

It has been an important and continuing part of the Government's social welfare policy to relax the means test progressively. As a further step in this policy, and as a prelude to more sweeping proposals to which I shall come in a moment, the Government now proposes immediate large increases in the amount of 'free' means which pensioners may enjoy without reduction in pension.

Under present pension arrangements, where means-as-assessed exceed \$10 a week in the case of a single pensioner and \$17 a week for married couples, the means test operates to taper off pension entitlements.

The Government now proposes to increase the limit of free means from \$10 to \$20 a week in the case of a single pensioner and from \$17 to \$34.50 a week in the case of a married pensioner couple—that is, to the same levels as the maximum rates of pension in each case. At the proposed rates of pension, therefore, full pension will be payable until the combined pension and means-as-assessed exceed double the pension—that is, \$40 a week for the single pensioner and \$69 a week for a married couple. Eligibility for part-pension will now not cease until means-as-assessed reach three times the pension—that is, \$60 a week for single persons and \$103.50 a week for married couples. When we consider that average earnings are now about \$98 a week and that pension payments are presently non-taxable, these increased eligibility limits must be considered generous.

In addition to this substantial easing of the means test generally, we propose 2 other related measures. First, we shall increase from \$4 to \$6 a week the maximum deduction from income for means test purposes for each child of a pensioner. Secondly, the Government has decided to treat superannuation pensions and annuities more favourably for means test purposes than hitherto.

At present a superannuation pension or annuity is treated wholly as income under the means test although such receipts usually comprise substantial elements of capital or savings. We propose that a superannuation pension or annuity which is payable for life be converted into a property equivalent and the latter amount be taken into account in the means test with any other property. Such action would be to the pensioner's advantage in the vast majority of cases. But if, in particular cases, this should not prove to be so, the changed treatment will not be applied.

Not only will many superannuation pensioners and annuitants receive increases in existing social service pensions, but other superannuitants who are now ineligible for a means-tested pension will also qualify for the first time. Further details will be announced when the legislation is introduced.

I should make it clear that the eligibility conditions for Commonwealth ancillary

benefits, such as membership of the Pensioner Medical Service, which are presently available to more than one million pensioners and their dependants, will not be relaxed as a result of the proposed direct easings of the means test for pension eligibility, including the proposed new treatment of superannuation pensions. Ancillary benefits will be available only to those present and future pensioners who qualify for them under the existing means test for ancillary benefits. The same means test will be used to determine eligibility for ancillary benefits for future pensioners.

Our social service proposals in total will add \$145.2m to expenditures in 1972-73 and \$197.1m in a full year.

#### ABOLITION OF THE MEANS TEST

These are our immediate steps in the field of the means test.

We have decided to abolish the means test within the next 3 years for age pension eligibility for residentially qualified men and women aged 65 years and over.

The free of means test pension will be subject to income tax. Following past practice, provision will be made to exempt, or partially relieve from taxation persons in the lower income groups receiving the free of means test pension—up to certain specified limits to be determined.

We have decided to subject the means test free pension to taxation because of cost and equity considerations. In particular, if everyone in receipt of free of means test pensions were to receive them free of tax, those with higher incomes would benefit disproportionately by comparison both with pensioners on lower incomes and people less than 65 not entitled to free of means test pensions.

The introduction of the proposed free of means test age pensions for persons of 65 or more years will not alter the position of people who are now eligible or may become eligible for pensions on a means tested basis, for example, women aged 60 to 64 years, and widows and invalids who are residentially qualified for pension, and ex-servicemen aged 60 to 64 and ex-service-women aged 55 to 64 who have served in a theatre of war.

Eligibility for supplementary assistance and for Commonwealth ancillary pensioner benefits, such as membership of the Pensioner Medical Service, will be conditional, as now, on satisfaction of the relevant special means test.

The Government's commitments to introduce free of means test pensions for people aged 65 or over is an historic decision and represents a major social advance. It is one that has, of course, considerable financial and social implications. Because of this, the Government proposes to appoint a Committee of Enquiry to examine and report on these matters and on how this proposal may be responsibly financed with particular reference to national superannuation.

#### Repatriation

The maximum general rate war pension will be increased by \$2.00 to \$14.00 a week.

The special rate pension, or its equivalent, will be increased by \$3.50 to \$48.00 a week.

The intermediate rate war pension will be increased by \$2.75 to \$34.00 a week.

War widows pensions will be increased by \$1.75 to \$20.00 a week and the domestic allowance will be increased by 50 cents to \$8.50 a week. The allowance payable for each child of a war widow will be increased by 35 cents to \$7.35 a week. The pension for a child who has lost both parents will be increased by 70 cents to \$14.70 a week.

Other improvements in repatriation allowances relating to requirements for attendants, to amputees and those who have lost an eye, educational allowances, and student children will be announced by the Minister for Repatriation.

The Government has decided that it will meet the greater part of the cost of nursing home care for chronically ill war widows, special and intermediate rate war pensioners and First World War nurses on the same basis that I have already mentioned for nursing home patients who are enrolled in the Pensioner Medical Service.

The cost of repatriation benefit proposals is estimated to be \$14.8m in 1972-73 and \$20m in a full year.

### REVENUE AND THE BUDGET OUTCOME

The proposals I have just outlined result in expenditure in 1972-73 estimated at \$10,078m.

At existing rates of taxation and charges, receipts in 1972-73 are estimated to total \$9,882m. This would imply a deficit of some \$196m. In terms of the balance of domestic receipts and expenditures it would mean a domestic surplus of \$375m. The actual outcome in 1971-72 was a deficit of \$187m and a domestic surplus of \$387m.

I have said that the Government this year attaches high priority to reducing taxation. In framing our proposals we have ensured that the tax measures we wished to bring down could be fitted within an economically sound budget.

A domestic surplus of \$375m would, under current economic circumstances, have an undesirably dampening effect upon the economy. Indeed, I go further. In present economic circumstances what is called for is not a domestic surplus at all but a moderate domestic deficit. The degree of such deficit can only be a matter of broad judgment. What is clear is that our tax proposals are right in line with what is required on economic management grounds.

### TAXATION PROPOSALS

I deal first with some minor increases in taxes, charges and duties.

#### 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 22 cents to 25 cents per net registered ton per quarter from 1st October 1972 to yield \$750,000 in 1972-73.

#### AIR NAVIGATION CHARGES

The Government is considering a report on the future basis of charging for airports and airway facilities. In the meantime we have decided to increase air navigation charges by an average of 5 per cent from 1st December 1972 to yield \$800,000 in 1972-73.

### LIQUEFIED GAS AND PRODUCTS REFINED FROM OIL SHALE

At present excise is not levied on liquefied petroleum or other gas used in propelling road vehicles. This constitutes a competitive advantage over motor spirit which could substantially undermine the revenue from excise. While the use of liquefied gas in propelling road vehicles may reduce automotive exhaust pollution, its advantages in this respect are limited in extent and will be diminished as emission control standards are implemented.

A tax on liquefied gas used in propelling road vehicles will be introduced at a rate of 3 cents a litre, which is about 20 per cent lower than the excise on motor spirit. Details will be given by the Minister for Customs and Excise. The tax will not be levied on liquefied gas used for purposes other than propelling road vehicles.

The exemption from excise of products refined from oil shale, introduced many years ago when Australia had no local supplies of crude oil, will be removed.

#### A.C.T. STAMP DUTY

Stamp duties were introduced into the Australian Capital Territory to stop the Territory being used as a tax haven, and to ensure broad comparability of burdens of taxation in the Territory and the States.

Last January the States increased their rates of duty on the sale and purchase of marketable securities. The Australian Capital Territory duty on such transactions will be increased to the same level. This means increasing from 20 cents to 30 cents per \$100 the duty payable by both buyer and seller in transactions in marketable securities through brokers, and the same proportionate increase in the rate of duty payable to buyers in transactions not through brokers. The increased charges will take effect from 1st November 1972. The yield will be \$200,000 in 1972-73.

I now come to our tax concessions.

#### Sales Tax

The Government has decided to exempt works of art from sales tax regardless of origin or of nationality of the artist. The cost to revenue is expected to be \$480,000 in 1972-73 and \$600,000 in a full year.

We did consider whether some part of our major taxation reductions should be in the sales tax field. Such a course has been urged from some quarters as a means of bringing down prices and assisting to arrest inflation. But calculations show that a reduction of 2½ per cent in the rate of sales tax on all goods in the 15 per cent and 27½ per cent rate classes would cost over \$90m in a full year but would directly reduce the consumer price index by a once only 0.2 per cent even if the cut were passed on in full to the final consumer.

Our conclusion is that we should, with 2 exceptions, concentrate reductions in the field of personal income tax. First, the 2 exceptions.

#### Estate Duty

It is clear that estate duty is now falling too heavily on modest estates. Except for a change which was made in 1970 in respect of primary producers, the exemption limits have remained unchanged since 1963. With rising money values, an increasing number of quite modest estates are becoming dutiable. On other, but still not large estates, heavy amounts of duty are being levied.

The general statutory exemptions are presently \$20,000 where the estate passes wholly to close relatives and \$10,000 where it passes wholly to others. For primary producer estates the limits are higher, at \$24,000 and \$12,000, respectively.

It is proposed to double all statutory exemptions. Approximately one-half of all estates which would be dutiable under present law will be totally exempted from duty by these proposals.

The shading-in provisions will have the effect of reducing duty payable on estates with a value up to 5 times the exemption limit. Only 5 per cent of estates which would be dutiable under present law will not experience some reduction in duty.

The cost to revenue of this proposal, which will apply to the estates of persons whose deaths occur after today, is \$3m in 1972-73 and \$19m in a full year.

#### Gift Duty

It is also proposed to increase the exemption level for gift duty. At present where

the total value of all gifts made by the same donor within the period of 18 months before and 18 months after the time of making the gift does not exceed \$4,000, no duty is payable. It is proposed to increase the exemption to \$10,000 where a gift is made after today. The cost to revenue is expected to be \$400,000 in 1972-73 and \$750,000 in a full year.

#### Personal Income Taxation

##### SELF EDUCATION

I mention first a relatively small fiscal matter, but one which we regard as of high importance to personal incentive and career-building. We propose to allow a deduction for income tax purposes of up to \$400 for expenditure by a taxpayer on his own education where the expenditure is related to his income-producing activities but is not allowable under the existing law. Details will be given when the legislation is introduced.

The cost to revenue is estimated to be \$200,000 in 1972-73 and \$4.5m in a full year.

##### THE PERSONAL INCOME TAX BURDEN

The Government views with concern the considerable increase in the relative burden of personal income taxation in recent years and the effects which that is having upon our economy and, indeed, our society. In particular, the single income family, the typical suburban family man, is being hit hard.

We strongly believe that personal income taxation is now too high and that, without action to cut it, the situation will become progressively worse with the passage of time. The interaction of money incomes rising with inflation and the progressive rate scale is imposing heavy and increasing burdens. This year provides an opportunity to reduce these burdens. Accordingly, we have decided to concentrate our tax concessions in the area of personal income tax. Our reasons are:—

First, the personal income tax burden is becoming more and more severe. The tax bite is being determined, not in accordance with deliberate aims of policy, but by the impact of inflation on a scale basically designed for another level of incomes altogether.



Secondly, the family man in particular, with all of his other commitments, is finding income taxation looming ever-larger as a problem, and is coming to question the fairness of the burden he bears.

Thirdly, rising taxation is affecting incentives and encouraging tax avoidance.

Fourthly, rising taxation adds to pressure for excessive increases in money wages and salaries. We believe our measures will provide grounds for moderation.

Fifthly, a reduction in personal income tax will put more money directly into the hands of consumers. Their take-home pay and their capacity to spend will be enhanced. There will be a real lift to community and business psychology. That is just what is needed at this time.

#### MINIMUM TAXABLE INCOME

We propose to raise the minimum taxable income for individuals from \$417 to \$1,041 per annum. The proposal will exempt from tax liability altogether about 600,000 taxpayers—among them part-time employees, including married women and students working in vacations. Although persons earning more than \$20 in any week may be subjected to PAYE deductions, any PAYE deductions will be refunded if their annual taxable income is below the new minimum of \$1,041. The cost to revenue is \$14m in 1972-73 and \$18m in a full year.

#### DEPENDANTS' ALLOWANCES

The second proposal is very much the product of what I have said earlier about the especially heavy burdens on the family man. We propose to increase all dependants' allowances by \$52. This increase in dependants' allowances will cost \$38m in 1972-73 and \$63m in a full year.

#### THE INCOME TAX RATE SCALE

Last and most importantly, we propose to reduce the rates of personal income tax payable by an average of 10 per cent. In April we reduced personal income tax by 2½ per cent; the reduction I now propose is on top of that.

A flat rate cut based on removing the present 2½ per cent levy and the granting of a 7½ per cent rebate across the board was a possible course. However, we have decided to take what we regard as the more equitable course of re-structuring the tax scale so as to ensure diminishing percentage reductions as incomes rise. Taxable incomes below about \$5,500 per annum—that is, the great bulk of taxpayers—will be subject to reductions in taxation larger than 10 per cent; taxable incomes above \$5,500 to lower reductions. For example, persons with a taxable income of \$2,000 per annum will receive a 14.2 per cent reduction in taxation; at \$4,000 the reduction will be 12.4 per cent; at \$6,000, 9.4 per cent; at \$10,000, 8.0 per cent; and at \$40,000, the new maximum marginal tax rate point, the reduction is down to 6.5 per cent.

Let me give one example to show what our income tax proposals taken as a whole will mean to the taxpayers. A family man with a wife and 2 children to support who is earning \$98.00 a week—roughly the current level of average weekly earnings—at present would pay annual income tax equivalent to \$16 a week if he has no other concessional deductions. Under our proposals this will be cut by \$2.75 a week or 17 per cent. If he has other concessional deductions, his present tax bill will be cut by a larger percentage than that.

The cost to revenue of re-structuring the income tax scale as proposed is estimated at \$380m in 1972-73 and \$480m in a full year.

Our income tax proposals will be reflected in revised PAYE schedules that will be applied to wages and salaries paid from 1st September 1972.

In total, the income tax proposals I have outlined will cost \$432m in 1972-73 and \$565m in a full year. In conjunction with the sales tax, estate duty and gift duty concessions and the minor increases in certain taxes and charges already mentioned, the net cost of all our measures in the revenue field is put at \$434m in 1972-73 and \$583m in a full year.

#### THE OVERALL DEFICIT

On the basis of these figures and of the expenditure estimates mentioned earlier, we are therefore budgeting for an overall deficit of \$630m.

I said earlier that, in terms of an overall outcome which would be consistent with criteria of sound economic management and a responsible fiscal approach, we should be aiming at not more than a moderate deficit in terms of our domestic receipts and outlays. The estimated domestic deficit is \$60m. That seems to us appropriate in current economic circumstances.

#### CONCLUSION

In this budget we have provided for record increases in social welfare benefits; we have made a long-awaited move in the field of estate duty; and we have slashed personal income taxation. So far as its direct impact on the individual is concerned, I repeat, what the Budget means is—taxes down, pensions up, and particular help to the family man.

Overall, the Budget will be stimulatory. Our economy, over the years, has demonstrated a capacity for robust growth. The Budget will give the economy the real and psychological boost which is what it now needs to resume a strong growth path.

Of course, any budget can only be framed on the basis of the Government's best judgment at the time. What the future holds can always be only dimly seen. We shall review

economic trends as the year goes on to ensure that the economy moves properly towards its sustainable growth path.

The Government can lay the groundwork for a year of good growth and prosperity. But we shall have to continue to counter the forces adding to inflationary pressures. The Budget is designed to create demand conditions which can be matched by output. It will not bring about a resurgence of demand inflation in the year ahead. But the battle against inflation stemming from cost pressures will have to continue unabated. The emphasis we have laid upon increasing take-home pay through our tax cuts should assist in that battle by providing grounds for more moderation on the wage-push front, and we hope that will be forthcoming.

I think it right to inject this cautionary note. But tonight I shall not dwell upon it further.

This Budget serves the nation's larger purposes. There are, of course, challenges ahead as well as rewards. This is always so. But anyone who looks around this country—especially if he recalls it 20 years ago—will see why we have cause to read the future with confidence.

Debate (on motion by Mr Whitlam) adjourned.

**STATEMENT No. 1—SUMMARY OF THE 1972-73 BUDGET****THE ECONOMIC CONTEXT**

The Commonwealth Budget for 1972-73 has been framed in the context of an economy already picking up from the moderate rate of growth experienced in 1971-72. Features of the economy presently include an easy labour market and an over-rapid, though moderating, rate of increase in costs and prices. Economic growth is expected to quicken considerably in 1972-73.

**1971-72**

Estimates of the main components of gross national product and gross national expenditure in 1971-72 are given in detail in the document 'National Income and Expenditure 1971-72' presented with the Budget Papers.

In terms of constant prices, the main changes in 1971-72 from 1970-71 shown by the estimates are:—

- an increase of 3.1 per cent in gross national product, comprising increases of 2.8 per cent in gross non-farm product and 6.1 per cent in gross farm product;
- an increase of 1.1 per cent in gross national expenditure, comprising increases of 3.2 per cent in personal consumption expenditure, 4.6 per cent in gross private fixed investment in housing and 3.2 per cent in public authority expenditures on goods and services, partially offset by a decline of 5.8 per cent in gross private fixed investment other than in housing and a reversal of some \$520 million in the movement in stocks;
- strong growth of 9.2 per cent in exports of goods and services and a fall of 2.1 per cent in imports of goods and services. (In current price terms, there was an excess of exports of goods and services over imports of \$472 million, compared with an excess of imports over exports of \$44 million in 1970-71.)

Also in 1971-72:—

- there were continued high rates of increase in money wages and in prices, although some moderation, more particularly in prices, became evident in the second half of the year;
- the labour market eased throughout the year, but the bulk of the rise in the seasonally-adjusted unemployment rate from 1.3 per cent of the estimated work force at June 1971 to 1.9 per cent at June 1972 occurred in the eight months to February 1972;
- the money supply grew rapidly, at a rate of 10.5 per cent, reflecting the large balance-of-payments surplus and the easier stance of monetary policy for most of the year.

**1972-73**

At the time the budget was formulated, a recovery in economic growth in 1972-73 would have been expected, but to a lesser extent than the productive potential of the economy would accommodate. With a view to reinforcing the rate of this recovery, the budget provides for increases in expenditures, particularly for social welfare and for allocations to the States, and for substantial taxation concessions aimed at providing a stimulus to private demand, particularly consumer spending.

Demand generally should therefore grow considerably more strongly in 1972-73 than in 1971-72. The growth of consumer spending, which has shown some signs of improvement in recent months, is expected—under the influence of policy measures adopted in the budget and earlier—to accelerate. Private fixed investment in dwellings should continue to grow strongly, and the downturn in non-dwelling investment which occurred in 1971-72 is expected to be reversed during the course of 1972-73. The dis-investment in stocks evident last year is also expected to be reversed this year. Public sector demand, both Commonwealth and State, should continue to run high.

In 1972-73 gross national product at constant prices seems likely, on present indications and unforeseen major new developments apart, to increase by about 5 per cent. This estimate should be reflected in increases of the order of 2 per cent in employment and 3 per cent in productivity—though the latter figure, in particular, is subject to a broad margin of uncertainty. These estimates relate to year on year comparisons—that is, 1972-73 on 1971-72. During 1972-73, however, growth in employment, productivity and gross national product at constant prices is expected to be greater than suggested by the foregoing figures.

Taking the year as a whole, some moderation in wage rates and in prices from the rapid increases experienced in 1971-72 might be hoped for. Nevertheless, with wage rates currently still rising strongly, a relatively large increase of 9 per cent in average weekly earnings has been assumed for the purpose of estimating pay-as-you-earn tax collections.

*Budget Estimates in National Accounts Terms*

The estimates in national accounts terms are set out in detail in Statement No. 2 where the economic implications of the Budget are also discussed. Further information on the national accounts estimates of Commonwealth budget receipts and outlays, together with information on the transactions of Commonwealth authorities operating outside the budget, is contained in the Supplement to the Treasury Information Bulletin which accompanies the budget documents. The following table summarises the main budget aggregates in national accounts form.

	1971-72			1972-73		
	Actual	Change on 1970-71		Estimate	Change on 1971-72	
	\$ million	\$ million	Per cent	\$ million	\$ million	Per cent
Domestic Outlay(a) ..	8,550	+ 881	+ 11.5	9,615	+1,065	+ 12.5
Overseas Outlay ..	550	+ 29	+ 5.6	546	- 4	- 0.7
Total Outlay(a) ..	9,101	+ 911	+ 11.1	10,162	+1,061	+ 11.7
Total Receipts(a) ..	8,914	+ 799	+ 9.8	9,531	+ 617	+ 6.9
Deficit(-) .. ..	- 187	- 112	..	- 630	- 443	..
Budget Domestic Surplus (+) or Deficit (-) (b)	+387	- 67	..	- 60	- 447	..

(a) Increases affected by transfer of pay-roll tax to the States as from September 1971.  
 (b) Approximate.

Notable aspects are:—

- An estimated increase of 12.5 per cent in budget domestic outlays in 1972-73 compared with an actual increase of 11.5 per cent in 1971-72. These figures have been affected by the transfer of pay-roll tax revenues to the States and the associated adjustment of financial assistance grants payable. Approximately adjusted to remove the effects of that transfer, the estimated increases in domestic outlays in 1972-73 and 1971-72 would be 13.5 per cent and 14.8 per cent, respectively. The decline in the rate of increase in domestic outlays between the two years reflects, among other things, the effects of additional public service and pension pay-days in 1971-72 which inflated expenditure in that year.
- The Commonwealth's domestic expenditures on goods and services are estimated to increase by 9.4 per cent following an increase of 11.7 per cent last year. This slowing in the rate of increase mainly reflects the occurrence of an additional public service pay-day in 1971-72 and wage and cost increases which occurred in that year.

- A small decrease of 0.7 per cent in total budget outlays overseas following an increase of 5.6 per cent in 1971-72. Direct expenditures on goods and services overseas are estimated to increase rapidly, largely because of an expected build-up in payments for defence equipment purchased overseas. There is, however, an offsetting reduction in advances to Qantas Airways Limited and the Australian National Airlines Commission to finance the purchase of aircraft and equipment overseas.
- Overall, total outlays are estimated to increase by 11.7 per cent in the current financial year compared with an increase of 11.1 per cent last year. Adjusted to remove the effects of factors distorting year-to-year comparisons of the figures, the estimated percentage increase in outlays in 1972-73—13.5 per cent—is similar to that which occurred last year, that is, 13.1 per cent.
- Before taking account of the proposed revenue measures the increase in total receipts in 1972-73 is estimated at 11.8 per cent. After allowance for the effects of the revenue proposals, which are estimated to reduce taxation collections in 1972-73 by \$436 million, the estimated increase is 6.9 per cent. These figures are affected by the transfer of pay-roll tax to the States from September 1971. Adjusted to remove the effects of this transfer, total receipts are estimated to increase by 8.1 per cent in 1972-73 compared with an adjusted increase of 13.0 per cent in the previous year. The substantial reduction in personal tax rates in 1972-73, following as it does a decrease in the rate of levy on personal income tax late in 1971-72, will add substantially to disposable incomes in Australia and should provide a significant stimulus to demand.
- Significant increases in social service and other benefits announced in the Budget Speech, taken together with the large taxation concessions announced in the budget, are estimated to result in an excess of outlays in Australia over revenue collected in Australia. The budget domestic deficit for 1972-73 is estimated at \$60 million. This compares with a domestic surplus of about \$387 million in 1971-72. Thus, in contrast to last year, it is expected that budget domestic outlays and receipts this year will add moderately to liquidity, rather than subtract from it.

*Budget Estimates in 'Conventional' Terms*

The following table summarises the estimates for 1972-73 and actual expenditures and receipts for 1971-72 in so-called 'conventional' terms.

	1971-72			1972-73		
	Actual	Change on 1970-71(a)		Estimate	Change on 1971-72(a)	
	\$ million	\$ million	Per cent	\$ million	\$ million	Per cent
Expenditures .. ..	9,032	+ 927	+ 11.4	10,078	+ 1,045	+ 11.6
Receipts .. ..	8,845	+ 815	+ 10.2	9,447	+ 602	+ 6.8
Deficit .. ..	- 187	- 112	..	- 630	- 443	..

(a) Changes affected by transfer of pay-roll tax to the States as from September 1971.

The main elements in the estimated change in expenditures in 1972-73 and the actual change in expenditures in 1971-72 are indicated in the following table:—

	Change 1971-72 on 1970-71		Estimated Change 1972-73 on 1971-72	
	\$ million	Per cent	\$ million	Per cent
Defence Services .. .. .	+ 82	+ 7.2	+ 106	+ 8.7
Payments to or for the States and Works and Housing Programmes .. .. .	+ 211	+ 7.4	+ 395	+ 12.9
National Welfare Fund .. .. .	+ 275	+ 18.6	+ 326	+ 18.6
Repatriation Services .. .. .	+ 38	+ 12.1	+ 36	+ 10.2
Debt Charges .. .. .	- 15	- 13.9	+ 9	+ 10.0
Departmental Running Expenses .. .. .	+ 97	+ 17.8	+ 62	+ 9.7
Territories (excluding Papua New Guinea) ..	+ 18	+ 17.9	+ 24	+ 20.2
External Economic Aid (including Papua New Guinea) .. .. .	+ 21	+ 12.9	+ 21	+ 11.3
Commonwealth Payments to Industry .. .. .	+ 85	+ 27.0	- 35	- 8.8
Other Expenditures .. .. .	+ 47	+ 11.2	+ 74	+ 16.0
Advances for Capital Purposes .. .. .	+ 44	+ 9.9	+ 29	+ 6.0
Other Capital Works and Services .. .. .	+ 23	+ 9.7	- 1	- 0.3
<b>Total Expenditures .. .. .</b>	<b>+ 927</b>	<b>+ 11.4</b>	<b>+ 1,045</b>	<b>+ 11.6</b>

Features of the estimates are:—

- The large prospective increase of \$395 million in payments to or for the States and works and housing programmes. Of this increase a total of \$218 million relates to additional financial assistance grants and increased works and housing programmes agreed at the Premiers' Conference and Loan Council meetings in June 1972. At these meetings it was also announced that the monthly rate of grants for non-metropolitan unemployment relief would be increased. The provision included in the budget for these grants is \$45 million greater than expenditure for these purposes in 1971-72. Comparisons with the increase in payments to or for the States in the previous year are affected by the arrangements under which pay-roll tax was transferred to the States.
- The proposed increases of \$326 million in expenditure from the National Welfare Fund and \$36 million in expenditure on repatriation services. Measures announced in the Budget Speech account for \$183 million of these increases, while the full-year effects of increases in benefit rates and other measures announced in the 1971-72 budget and subsequently during that year are estimated to add a further \$111 million to expenditures in 1972-73. The increase in expenditures under these headings would have been larger but for variations in the number of pension and child endowment pay-days between the two years.
- An estimated increase of \$106 million in expenditures on defence services. The size of the increase is diminished by the occurrence of one less pay-day in 1972-73 than in 1971-72. A large part of the estimated increase relates to purchases of defence equipment and stores.
- The proposed increase of \$62 million in departmental running expenses. This compares with an increase of \$97 million in 1971-72, about \$17 million of which resulted from the occurrence of an additional pay-day in that year.
- The estimated decrease of \$35 million in Commonwealth payments to industry. Wool deficiency payments are estimated to be \$52 million less than in 1971-72, reflecting the improvement in the market for wool. In addition, wheat stabilisation payments will be made in respect of only one year's wheat pool in 1972-73; in 1971-72 payments were made in respect of both the 1969-70 and 1970-71 pools.

- An estimated increase of \$74 million in 'other expenditures', which incorporates a number of the new policy measures and increased provisions announced in the Budget Speech. Examples include increased numbers of Commonwealth scholarships, assistance for child care centres, new and expanded employment training schemes and an increased provision for Aboriginal advancement.

Further details of the estimates of expenditure for 1972-73 are given in Statement No. 4.

Before taking account of the revenue measures announced in the Budget Speech, and on the basis of an ongoing levy of 2½ per cent on personal income taxation, it is estimated that total Commonwealth receipts would have increased by \$1,036 million or 11.7 per cent in 1972-73. This includes an estimated increase of \$992 million or 12.7 per cent in taxation revenues. Comparisons with increases in previous years are affected by the transfer of the pay-roll tax to the States. After taking account of this factor, the increase in total receipts on the basis outlined above would be slightly less than that which occurred in 1971-72. This arises in part from the fact that rates of taxation were increased in the 1971-72 budget.

The assumed increases in average earnings and employment would be expected to produce a substantial increase in pay-as-you-earn instalment deductions under the existing taxation provisions, including the personal income tax levy of 2½ per cent. In addition, pay-as-you-earn refunds are estimated to decrease in 1972-73, one factor being the effect of the variations made to tax instalment schedules in 1970-71 and 1971-72. Net pay-as-you-earn income tax collections are estimated, on this basis, to increase by \$751 million or 26 per cent. The recovery in primary producers' incomes in 1971-72, together with increases in other business incomes subject to tax in 1972-73, would also result in a substantial increase in income tax collections from individuals subject to provisional tax. However, company income subject to tax is estimated to have increased only modestly in 1971-72, with the result that collections of income tax from companies in 1972-73 are expected to show only a modest increase over 1971-72 collections.

Continued growth in private sector expenditures, including a higher rate of importing, is expected to produce increased revenue from indirect taxes. However, the rate of growth in excise duty revenues, in particular, is affected by duty rate increases which were announced last year.

The proposed revenue measures announced in the Budget Speech are estimated to reduce receipts by a net \$434 million in 1972-73 and \$583 million in a full year. These measures and their estimated revenue effects are shown in the following table:

	Estimated Change + Increase - Decrease	
	1972-73	Full year
	\$'000	\$'000
<b>Income Tax on Individuals:</b>		
Reduction in rates of income tax payable .. .. .	- 380,000	- 480,000
Increase dependants' allowances by \$52 per annum .. ..	- 38,000	- 63,000
Increase minimum taxable income from \$417 to \$1,041 per annum	- 14,000	- 18,000
Deduction of up to \$400 per annum for a range of expenditures made by a taxpayer on his own education .. .. .	- 200	- 4,500
<b>Gift Duty:</b>		
Increase in exemption level to \$10,000 .. .. .	- 400	- 750
<b>Estate Duty:</b>		
A doubling in the outright statutory exemptions for both general and primary producer estates .. .. .	- 3,000	- 19,000
<b>Sales Tax:</b>		
Exemption from tax of imported works of art .. .. .	- 480	- 600
<b>A.C.T. Stamp Duty:</b>		
Increase in rate of duty on transactions in marketable securities ..	+ 200	+ 300
<b>Excise Duty, etc:</b>		
Impose tax of 3 cents per litre on liquefied petroleum gas used in road vehicles, and remove exemption on petroleum products derived from shale .. .. .	+ 20	+ 25
<b>Total Taxation</b> .. .. .	<b>-435,860</b>	<b>-585,525</b>
<b>Other Revenue:</b>		
Air Navigation Charges .. .. .	+ 800	+ 1,600
Light Dues .. .. .	+ 750	+ 1,000
<b>Total</b> .. .. .	<b>-434,310</b>	<b>-582,925</b>

After taking account of the effects of these proposed changes, total Commonwealth receipts are estimated to amount to \$9,447 million, which is \$602 million or 6.8 per cent greater than in 1971-72.

Further details of the estimates of receipts are given in Statement No. 5.

**Summing Up**

The budget is aimed at providing a stimulus sufficient to result in the present slack in the use of labour and other resources being taken up during the course of the year, but not so much as to bring about a re-emergence of excess demand pressures.

Although the budget provides for large increases in outlays on social welfare and in payments to or for the States, overall outlays have been held to much the same rate of increase as last year. The budget is designed, rather, so that the major stimulus to the economy will be imparted through the very substantial reductions in personal income taxation rates. As well as relieving the tax burden, the aim is to stimulate private sector activity without at the same time adding unduly to the rate of growth in public sector expenditure



Overall, the growth in outlays and the taxation concessions announced in the Budget Speech will result in a substantial increase in the budget deficit to about \$630 million. Outlays *within* Australia are estimated to exceed receipts *within* Australia by approximately \$60 million, thus resulting in a budget *domestic* deficit for the year.

The estimated domestic deficit will, in itself, add to private sector liquidity for the year as a whole. The net effects on liquidity of the Commonwealth's transactions will, however, also depend on the Commonwealth's financing transactions during the year.

The effect on liquidity of the domestic deficit will not be uniform throughout the year, largely because of the seasonality in tax collections. Thus, in the first half of the financial year there will be a large temporary budget deficit which will add substantially to private sector liquidity during that period. During the second half of the year the budget will move into surplus as tax payments are made and this will withdraw liquidity from the economy. It is to be noted, of course, that the liquidity situation will be affected by factors other than the Commonwealth's transactions, notably by developments in the external sector. The monetary and financial aspects of the budget are more fully discussed in Statement No. 3.

## STATEMENT No. 2—THE BUDGET AND THE ECONOMY

### THE BUDGET ESTIMATES IN NATIONAL ACCOUNTS FORM

#### *General*

The influence of the Commonwealth budget upon trends in the economy may usefully be considered as operating through the effects on incomes and expenditures transmitted by changes in particular types of budget outlays and receipts and through the effects of the budget and its financing upon liquidity in the economy. Moreover, the budget may affect private sector expectations about economic prospects. This statement is devoted primarily to an examination of the first of these transmission mechanisms, although some reference is made to the possible effects of the budget upon private sector expectations. Statement No. 3 presents an examination of the implications of domestic budget transactions for Australian monetary conditions.

The economic effects of particular classes of outlays and receipts differ significantly from one another. On the outlay side, it is particularly important to distinguish between domestic and overseas outlays. This distinction must be made because the immediate effects of overseas outlays are on the balance of payments, <sup>(1)</sup> while domestic outlays have their substantial effects upon domestic economic activity. There is also an important distinction to be made within domestic outlays between expenditures on goods and services, on the one hand, and transfers and advances from the budget, on the other. This further distinction is important because government expenditures on goods and services add directly to demand within the economy, while the impact on demand of transfers and advances depends upon their effects on the spending of the recipients.<sup>(2)</sup>

As with outlays, differences exist between the various taxes and charges in terms of their economic effects. These differences pertain both to the magnitude of their effects upon real expenditures and prices and to the time lags between implementation and effect.

There is a further and fundamental distinction, which is of particular significance on the revenue side, to be made when assessing the effects of budgetary measures. This is the distinction between the revenues which would have been collected with unchanged tax rates and charges, and the estimated collections allowing for any changes in rates and charges contained in the budget. Changes in revenues in the former class result from changes in the economy which affect the bases on which taxes are levied.<sup>(3)</sup> The latter class, however, also includes the effects on revenues of any changes in rates and charges. Changes in revenue of the first kind, of course, exert an influence upon economic activity. However, only changes in revenue arising from changes in rates and charges can be considered as stemming from the independent influence of policy measures upon the economy and as capable of influencing trends in the economy which would otherwise be expected to emerge. In contrast, the existing tax structure is part of the complex of factors producing presently foreseen trends and therefore cannot be seen as capable of offsetting them. By convention then, only changes in revenue of the discretionary type are considered as part of the impact of the budget.

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

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.

(2) It is also important to distinguish, in practice, between different types of transfers and advances, because of the differences which may exist between the ways in which the amounts are spent by the various recipients of these budget outlays.

(3) 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 this class. Collections of income tax from individuals subject to provisional tax and from companies are also of this type although in these cases past movements are also involved.

The distinction made above is blurred somewhat due to changes in "effective" rates of tax which are themselves the product of changing economic trends. In particular, due to the progressive nature of the income tax scale, as income rises the average, or effective, rate of tax will increase. Similarly, since different classes of goods are subject to different rates of sales and excise taxes, changes in the composition of sales will yield changes in the overall effective rates of sales and excise taxes. While changes of this sort therefore involve changes in effective rates of tax they are, again by convention, classified as arising from economic trends rather than policy measures.<sup>(1)</sup>

In order fully to evaluate the influence of budget outlays and receipts upon economic conditions, consideration must be given not only to the *impact* effects of these measures but also to the *subsequent* economic effects which arise because of the complex inter-relationships between different sectors of the economy. The latter effects inevitably require some time to develop; to assess them fully requires consideration of the timing of budget transactions and the time lags associated with the subsequent effects which flow from them. The significantly different impact effects of various categories of outlays and receipts have been referred to above. It is important to point out that the time required for these subsequent changes to have effect also varies between different categories.

Finally, it might be reiterated that the influence of a particular budget upon the economy and the appropriateness of that influence, can only be evaluated by relating the budget in question to the particular economic context to which it applies.

The presentation of budget outlays and receipts in national accounts form facilitates the analysis of the relationship between the budget and the economy as a whole. The following analysis accordingly utilises budget figures expressed in national accounts form.

#### PROSPECTS FOR 1972-73

##### *The Effects of Changes in Budget Outlays and Receipts*

The 1972-73 Budget has been formulated in the context of an assessment of economic prospects throughout the following twelve months. The budget, however, is only one of many major influences upon economic developments, and any assessment at this point of economic prospects in 1972-73 must be subject to a degree of uncertainty. Unforeseen developments arising either from domestic or overseas influences may result in the need for corrective policy action at some future date. Flexibility in economic policy is, for these reasons, of obvious importance.

Although the economic effects in 1972-73 of the expansionary policy measures announced during the course of 1971-72 will be significant, the latest assessment of economic prospects for this financial year suggests that further stimulus to the economy is warranted—particularly in relation to consumption demand. The magnitude of the desirable stimulus—either through increased outlays or in terms of revenue forgone—depends, of course, upon the expected trends in the economy, relative to the likely availability of resources, in the absence of new policy measures. The total cost to the budget of the policy measures required to produce that stimulus will in turn depend upon the particular measures adopted, because, as already discussed, different outlays and receipts have different economic effects. Accordingly, the cost to the budget of imparting a given stimulus to the economy would be somewhat higher if that stimulus were to be produced through increases in transfers and advances or reductions in taxation than if it were sought through increased expenditure on goods and services.

(\*) 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 by fiscal or monetary means. Should average earnings rise by less than assumed in compiling budget estimates, taxation revenue would for that reason tend to be less than estimated and a larger budget deficit would tend to emerge (although the extent of the increase in the budget 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 affected adversely by such a development.

The magnitude of the direct effects of increases in budget domestic outlays or receipts is, of course, only one of a number of factors which must be considered. For example, a stimulus affecting a particular sector rather than a general impetus to aggregate demand, may be required. As noted above, one area which—on present indications—requires stimulus in 1972-73 is consumption demand. Accordingly, increases in transfer payments—particularly increased pensions—and reduced personal income taxation rates, which may be expected to exert much of their economic impact through increased consumption demand, are features of the 1972-73 Budget.

In the 1972-73 Budget measures relating to National Welfare Fund and repatriation benefits alone are estimated to add over \$183 million to domestic outlays while it is estimated that a net \$436 million of revenue will be forgone as a result of the taxation measures announced in the Budget Speech.

The following table reflects, inter alia, the effects of the new expenditure measures adopted in the 1972-73 Budget upon the composition of domestic outlays:

COMMONWEALTH BUDGET—DOMESTIC OUTLAYS

	1970-71 Actual		1971-72 Actual (a)		1972-73 Estimate (a)	
	\$ million	Per cent of Total Domestic Outlays	\$ million	Per cent of Total Domestic Outlays	\$ million	Per cent of Total Domestic Outlays
<b>Net Expenditure on Goods and Services—</b>						
Defence .. .. .	916	11.9	984	11.3	1,066	10.7
Other current expenditure ..	813	10.6	929	10.7	1,070	10.7
Capital expenditure .. .. .	218	2.8	218	2.5	244	2.4
<b>Total .. .. .</b>	<b>1,947</b>	<b>25.4</b>	<b>2,131</b>	<b>24.5</b>	<b>2,379</b>	<b>23.9</b>
<b>Transfer Payments and Net Advances—</b>						
To States .. .. .	2,727	35.6	3,213	36.9	3,739	37.5
Cash benefits to persons ..	1,768	23.1	2,006	23.0	2,387	23.9
Interest paid .. .. .	488	6.4	527	6.0	565	5.7
Transfers Overseas .. .. .	61	0.8	74	0.8	84	0.8
Net advances (other than to States) .. .. .	332	4.3	336	3.9	420	4.2
Other(b) .. .. .	346	4.5	425	4.9	394	4.0
<b>Total .. .. .</b>	<b>5,722</b>	<b>74.6</b>	<b>6,582</b>	<b>75.5</b>	<b>7,589</b>	<b>76.1</b>
<b>Total domestic outlay ..</b>	<b>7,669</b>	<b>100.0</b>	<b>8,713</b>	<b>100.0</b>	<b>9,968</b>	<b>100.0</b>

(a) The figures for 1971-72 and 1972-73 have been adjusted for a number of factors which affect year-to-year comparisons. These include an adjustment for the effects on the figures for 'current expenditure' of an additional public service pay-day in 1971-72. In addition, allowance has been made for the effects of an additional pension pay-day in 1971-72, and an extra twelve-weekly child endowment pay-day in 1972-73, on the figures for 'cash benefits to persons'. Finally, an adjustment has been made to the figures for transfers and advances to the States in both years to take account of the effects of the transfer of the pay-roll tax to the States as from 1 September 1971.

(b) Consisting of subsidies and grants for private capital purposes.

The relatively rapid increases in estimated cash benefits to persons and transfers and net advances to States as proportions of total domestic outlays in 1972-73 are notable.

The taxation measures proposed in the 1972-73 Budget have been formulated, for the most part, to stimulate private sector spending. This applies particularly to the decisions to increase the minimum taxable income for individuals from \$417 to \$1,041 per annum, the increase of \$52 per annum in the dependants' allowances, and the decision to reduce rates of personal income tax payable by an average of 10 per cent. These and other measures are also intended to benefit the family man and lower and medium income groups.

#### *Review*

The Budget is the main vehicle for fiscal policies aimed at demand management and is particularly important, therefore, in relation to short run economic objectives. Budgets, of course, have other and wider objectives and, moreover, even in relation to short run economic objectives, cannot be framed in terms of achieving precise targets. The nature of economic phenomena precludes this. None the less, in the present economic context, in which a degree of under-utilisation of resources exists, the objective of stimulating demand assumes relatively greater importance than may be the case at other times.

The new measures announced in the Budget Speech will add significantly to the growth of gross national product in 1972-73. Overall, before adjustment for special factors, domestic outlays are estimated to increase by \$1,065 million. This increase arises from a variety of sources, including the rising cost of existing programmes. A significant factor contributing to the increase is the cost of measures adopted during 1971-72, including those decisions announced at the Premiers' Conference and Australian Loan Council Meetings in June. The most important source, however, of increased outlays is the new measures announced in the Budget Speech. The new taxation measures announced in the Budget Speech are estimated to reduce revenue by \$436 million.

The effects of these measures on spending cannot be precisely quantified, not least because the effect they have on expectations and business and community psychology makes mechanical calculation vulnerable to error. However, it is clear that the 1972-73 Budget will both add directly and substantially to spending in the economy, and particularly to consumer spending and will also encourage private sector expectations of an increased rate of growth and employment during 1972-73. In this way, the 1972-73 Budget should contribute to an improvement in private sector confidence.

To summarise: the Budget is quite strongly stimulatory. Although the full effects will not be felt immediately, there will be a significant impetus given to spending, particularly to consumer spending, and the economy should resume a strong growth path during 1972-73.

RECEIPTS AND OUTLAY OF COMMONWEALTH BUDGET

	1970-71	1971-72	1972-73 Estimate
	\$ million	\$ million	\$ million
<b>Outlay—</b>			
Net expenditure on goods and services—			
Current expenditure—			
Defence .. .. .	1,069	1,136	1,244
Repatriation .. .. .	92	108	119
Development of resources and assistance to industry .. .. .	177	198	218
Civil aviation .. .. .	43	50	55
Immigration .. .. .	60	51	54
Law, order and public safety .. .. .	20	25	27
Education .. .. .	57	69	82
Health and welfare .. .. .	80	95	110
Foreign affairs .. .. .	35	41	45
All other(a) .. .. .	343	405	451
	1,976	2,178	2,407
Capital expenditure(b)—			
Public enterprises—			
Houses and flats .. .. .	9	1	249
Other .. .. .	34	40	
General and government—			
Transport .. .. .	76	62	
Other .. .. .	105	120	
	224	222	249
Total net expenditure on goods and services .. .. .	2,200	2,401	2,656
Transfer payments—			
Cash benefits to persons .. .. .	1,771	2,055	2,417
Grants to States(c) .. .. .	2,207	2,373	2,716
Interest paid .. .. .	576	616	649
Transfers overseas .. .. .	185	205	234
Subsidies(d) .. .. .	309	382	338
Grants for private capital purposes .. .. .	37	43	56
Total transfer payments .. .. .	5,084	5,674	6,410
Total expenditure .. .. .	7,284	8,075	9,066
Net advances—			
to States—Works purposes .. .. .	366	533	586
Housing .. .. .	126		
Other .. .. .	28		
to Commonwealth authorities—Post Office .. .. .	247	270	288
S.M.H.E.A. .. .. .	27	16	10
Airlines .. .. .	20	52	(e) 37
Other .. .. .	46	37	52
to Other Sectors—by War Service Homes .. .. .	17	17	23
Other .. .. .	30	47	43
	47	64	66
Total net advances .. .. .	907	1,025	1,096
Total Outlay .. .. .	8,190	9,101	10,162
<b>Receipts—</b>			
Taxation—Indirect taxes(d) .. .. .	2,502	2,525	2,620
Income taxes on companies .. .. .	1,444	1,535	1,564
Income taxes on persons—P.A.Y.F.E. .. .. .	2,432	2,889	3,278
Other .. .. .	743	876	926
Estate and gift duties .. .. .	78	76	75
Other direct taxes, fees, fines, etc.(f) .. .. .	47	58	63
Total taxation .. .. .	7,245	7,959	8,526
Other receipts—			
Interest, rent and dividends, etc. .. .. .	800	885	(g) 938
Gross income of public enterprises .. .. .	60	62	65
Net sales of existing assets(h) .. .. .	11	8	2
Total other receipts .. .. .	870	954	1,005
Total Receipts .. .. .	8,115	8,914	9,531
Deficit .. .. .	75	187	630

(a) Includes current expenditure of the Australian Broadcasting Commission. In tables in this series prior to the 1971-72 Budget 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, \$219 million in 1971-72 and \$249 million in 1972-73 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 exports in 1971-72 and subsequent years through direct payments from the Commonwealth, not by way of rebates of pay-roll tax. To facilitate year to year comparisons, 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 advance to Australian National Airlines Commission in connexion with revised superannuation arrangements, \$25 million.

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

(g) Includes payment by Australian National Airlines Commission in connexion with revised superannuation arrangements, \$21 million.

(h) 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 the direct influence on expenditure and income 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 determined only by the size of the domestic surplus or deficit but also 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 or 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 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>

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<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 1971-72

The analysis of the influence of the Commonwealth's budgetary 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 each half of 1971-72 and for the two preceding years.

LIQUIDITY AND THE VOLUME OF MONEY—ANALYSIS OF FORMATION FACTORS

\$ million(a)

Last Day Basis	1969-70	1970-71	1971-72		
			First Half	Second Half (Preliminary)	Year (Preliminary)
Private Sector Foreign Exchange transactions .. .. .	581	1,173	709	1,223	1,932
Budget Domestic Surplus (-) or Deficit (+) .. .. .	-522	-454	1,269	-1,656	-387
Commonwealth Advances to Australian Wheat Board (Net) .. .. .	184	-65	-63	10	-53
Reserve Bank Rural Credits Advances	-122	-50	(e) -56	(e) 6	-48
S.R.D. Accounts of All Trading Banks	-(+109)	-(-57)	(e)-(-94)	(e)-(+31)	-(-63)
Other Factors(b) .. .. .	168	62	(e) -193	(e) 76	-99
Private Sector Primary Liquidity(c) ..	180	723	1,760	-372	1,408
Less Holdings of Commonwealth Securities by Non-Bank Private Sector .. .. .	116	275	663	52	715
Banking Sector Primary Liquidity(d) ..	64	448	1,097	-424	693
Average of Weekly Figures Basis(f) ..					
Banking Sector Primary Liquidity(d) ..	71	378	893	-158	735
Loans and Advances—					
All Trading Banks .. .. .	519	415	109	449	558
Savings Banks .. .. .	227	277	149	145	294
Banks' Miscellaneous Accounts ..	46	-56	65	5	70
Volume of Money .. .. .	863	1,014	1,216	441	1,657

(a) Movements except for budget domestic surplus/deficit.

(b) Includes movements in miscellaneous Reserve Bank accounts, net Commonwealth budgetary transactions in Papua New Guinea and some additional miscellaneous items.

(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.

(e) These items are on a last Wednesday or partly last Wednesday basis and for this reason half-year figures may not add to full year figures, which are all on a last day basis.

(f) The discrepancies between the last day basis and the average of weekly figures basis (an average of Wednesdays in the months preceding and ending the period covered) are largely attributable to seasonal patterns and variations in the proximity of the last Wednesday to the last day of the month.



The Commonwealth budget domestic surplus withdrew about \$387 million from private sector primary liquidity and the volume of money over the 1971-72 financial year. This was very much less than the \$630 million estimated at the time of the budget and was the smallest domestic surplus since 1968-69. The reduction in the size of the domestic surplus from that originally provided for reflected in large part the effects of the various budgetary measures taken during the year which, apart from their direct influence on expenditure and income, also had significant liquidity-increasing effects. These effects were consistent with and reinforced the easier stance adopted for monetary policy during the year.

The easier stance of monetary policy was reflected, inter alia, in the significant reductions which occurred during the year in yields on Commonwealth securities. These yield reductions notwithstanding, however, there was a substantial increase of \$715 million in the holdings of Commonwealth securities by the non-bank private sector. The strength of this increase appears to have been due in significant part to the generally easy monetary conditions which prevailed for most of the year and which emanated largely from the strong growth in the surplus on private sector foreign exchange transactions, as reflected in Reserve Bank holdings of gold and foreign exchange.

The strong growth in overseas reserves, related to both a high rate of private capital inflow and a substantially reduced current account deficit in the balance of payments, was the major factor contributing to the very strong increase of about \$1,410 million in private sector primary liquidity during 1971-72. This, together with the reduced Commonwealth budget domestic surplus and the various other factors affecting monetary aggregates resulted in an increase in the volume of money of 10.5 per cent in the year. As shown below this was a substantially larger increase than has been experienced in recent years.

*Percentage Increases in the Volume of Money*

					Per cent
1967-68	..	..	..	..	8.3
1968-69	..	..	..	..	9.1
1969-70	..	..	..	..	6.2
1970-71	..	..	..	..	6.8
1971-72	..	..	..	..	10.5

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 1971-72 Commonwealth budgetary transactions resulted in a domestic deficit of about \$1,270 million and added substantially to private sector liquidity. At the same time, private capital inflow into Australia, which had run at high levels in the final quarters of 1970-71, continued at a high rate. The strong growth in liquidity reflected itself, in part, in the fast growing money supply but in part, also, in a strong demand for government securities by the non-bank private sector. Overall, financial conditions eased significantly. These easier financial conditions were also facilitated by the easier stance of monetary policy. In October 1971 the banks were informed that there would be no objection to some increase in their level of lending and this was followed in December by a large release from Statutory Reserve Deposits and the removal of all official restraints on bank lending. Yields on government securities had also fallen significantly by the end of December. During the six months to December 1971 the volume of money increased by 7.7 per cent compared with 5.8 per cent in the six months to December 1970.

In the second half of 1971-72 the Commonwealth's budgetary transactions resulted in a domestic surplus of about \$1,660 million. The effects of this large surplus on liquidity conditions were, however, very substantially offset by a continued high level of private capital inflow and a marked strengthening in the current account of the balance of payments. In addition, further monetary policy action was taken in February. Yields on government securities were again lowered with the objective of ensuring that financial conditions were not a restraining factor on the economy during the period of normal seasonal contraction in liquidity.

In the event, the contraction in liquidity towards the end of the year did not cause difficulties in financial markets and 1971-72 closed with the private sector in a relatively liquid situation and with financial intermediaries in a position to significantly expand their lending. During the six months to June 1972 the volume of money increased by 2.6 per cent compared with 1.0 per cent in the six months to June 1971.

Details of changes in holdings of Commonwealth debt in each half of 1971-72 and in the two preceding years are shown in the following table.

	1969-70	1970-71	1971-72		
			First Half	Second Half (Preliminary)	Year (Preliminary)
	\$ million	\$ million	\$ million	\$ million	\$ million
Reserve Bank(a) .. .. .	324	-437	120	-1,097	-977
All Trading Banks .. .. .	-88	133	694	-350	344
Savings Banks .. .. .	-56	108	20	40	60
<b>Total—Banking System .. .. .</b>	<b>180</b>	<b>-196</b>	<b>834</b>	<b>-1,407</b>	<b>-573</b>
Non-Bank Private Sector .. .. .	116	275	663	52	715
Other(b) .. .. .	-19	-14	-96	98	2
<b>Total(b) .. .. .</b>	<b>276</b>	<b>65</b>	<b>1,401</b>	<b>-1,258</b>	<b>143</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 1972-73

There are, as usual, many uncertainties in the way of predicting the course of monetary conditions over the year ahead. This, however, applies particularly in the current situation of international monetary uncertainty.

The budget for 1972-73 as a whole is estimated to produce a domestic deficit of the order of \$60 million. This is in contrast to the domestic surpluses of recent budgets and other things being equal, this should facilitate further strong growth in private sector liquidity and the volume of money.

As suggested above, monetary conditions in 1972-73 will also depend importantly on the outcome in respect of private sector international trading and financing and in part on the demand for government securities. An important influence on this latter factor, as well as on other factors influencing monetary conditions, will be the stance adopted for monetary policy during the year.

## FINANCING TRANSACTIONS

The following table summarises the budget financing transactions in 1971-72. Explanatory comments on these transactions are given in Statement No. 6.

	\$ million	\$ million
<i>Overseas—</i>		
Net drawings under credit arrangements—		
Defence purchases in the United States of America .. ..	- 16	
Qantas and Australian National Airlines Commission .. ..	52	
Net proceeds of other overseas borrowings .. ..	- 83	
		- 47
<i>Australia—</i>		
Net proceeds of loan raisings in Australia(a) .. ..	720	
Net change in Treasury Notes on issue(b) .. ..	- 10	
Net repayment by Australian Wheat Board .. ..	53	
		764
Other financing transactions (net)(c) .. ..		38
Residual financing—use of cash balances(d) .. ..		- 567
<b>Total Financing Transactions .. ..</b>		<b>187</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 funds obtained from coinage and bullion transactions, amounts borrowed by Commonwealth trust accounts, and amounts available from moneys held in trust.

(d) A negative sign indicates an increase in cash balances.

In 1972-73, Commonwealth expenditures are estimated to exceed very substantially Commonwealth receipts from taxation, charges and other sources, and the resulting deficit is estimated to be \$630 million.

Drawings under credit arrangements with the Export-Import Bank of the United States of America for defence purposes are estimated at \$71 million with repayments of previous drawings amounting to \$67 million. However, repayments of previous loans raised to finance advances to Qantas Airways Limited and the Australian National Airlines Commission are estimated at \$38 million, \$13 million more than new drawings expected in 1972-73.

A net reduction in Commonwealth indebtedness overseas is expected in 1972-73. A borrowing of 10,000 million yen (approximately \$28 million) for general purposes was made in Japan in July 1972, but no other overseas borrowings for general purposes are at present in prospect. Redemptions of maturing loans in London and New York and other commitments on overseas loans are estimated to amount to \$84 million in 1972-73. On this basis, the amount to be financed in Australia would be greater than the estimated deficit of \$630 million.

The value of securities due to mature in Australia during 1972-73 held in non-official hands at 30 June 1972 is estimated at \$507 million (including Special Bonds \$71 million), compared with \$722 million (including Special Bonds \$53 million) of securities maturing in 1971-72 which were in non-official hands at 30 June 1971. Net loan proceeds and the net change in the Treasury Note issue in Australia cannot, however, be accurately estimated in advance. Nor can the changes that may occur in holdings of Commonwealth securities by the public, on the one hand, and by the banking system, on the other, be predicted accurately.

**STATEMENT No. 4—ESTIMATES OF EXPENDITURES, 1972-73**

Commonwealth expenditures are estimated to increase by \$1,045,348,000 or 11.6 per cent. to \$10,077,606,000 in 1972-73.

Year-to-year comparisons have been affected by accounting changes and other factors, including the occurrence in 1971-72 of an additional public service and pensions pay day, and the occurrence in 1972-73 of one extra twelve-weekly child endowment payment. The largest effect derives from the transfer of the pay-roll tax to the States from 1 September 1971, which altered financial assistance grants payable to the States, as well as pay-roll tax revenue figures. Details of the arrangements governing the transfer of pay-roll tax to the States are set out in the document 'Commonwealth Payments to or for the States 1972-73' presented concurrently with the Budget Speech, and the effects of the transfer on the figures are discussed in Statement No. 7.

The estimates for 1972-73 are compared in summary form with actual expenditures in 1970-71 and 1971-72 in the following table:

Item No.		1970-71 Actual(a)	1971-72 Actual(a)	1972-73 Estimate	+ Increase - Decrease on 1971-72
		\$'000	\$'000	\$'000	\$'000
1	Defence Services .. .. .	1,134,983	1,217,075	1,323,000	+ 105,925
2	Payments to or for the States and Works and Housing Programmes ..	2,843,321	3,054,660	3,449,457	+ 394,797
3	National Welfare Fund .. .. .	1,477,238	1,752,195	2,077,962	+ 325,767
4	Repatriation Services .. .. .	314,401	352,441	388,326	+ 35,885
5	Debt Charges .. .. .	107,786	92,813	102,085	+ 9,272
6	Departmental Running Expenses ..	543,829	640,786	703,078	+ 62,292
7	Territories (excluding Papua New Guinea) .. .. .	99,753	117,576	141,286	+ 23,709
8	External Economic Aid (including Papua New Guinea) .. .. .	163,069	184,072	204,851	+ 20,779
9	Commonwealth Payments to Industry	316,677	402,134	366,743	- 35,391
10	Other Expenditures .. .. .	414,976	461,486	535,185	+ 73,699
11	Advances for Capital Purposes ..	448,492	492,747	522,066	+ 29,319
12	Other Capital Works and Services ..	241,006	264,273	263,567	- 706
	<b>Total Expenditures .. .. .</b>	<b>8,105,533</b>	<b>9,032,258</b>	<b>10,077,606</b>	<b>+1,045,348</b>

(a) The figures for 1970-71 and 1971-72 have been adjusted for minor accounting changes to place them on a basis comparable with the estimates for 1972-73.

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

## ITEM NO. 1— DEFENCE SERVICES

	1970-71 Actual(a)	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
<b>Defence—</b>				
Civil Salaries .. .. .	8,196	10,253	10,917	+ 664
Administrative Expenses .. .. .	3,256	4,505	6,786	+ 2,281
Recruiting Campaign .. .. .	1,826	1,800	1,989	+ 189
Defence Aid for Malaysia .. .. .	3,540	3,705	6,200	+ 2,495
Defence Aid for South Vietnam .. .. .	2,207	3,280	2,164	- 1,116
Defence Aid for Singapore .. .. .	1,453	522	963	+ 441
Defence Co-operation with Indonesia .. .. .	..	..	3,800	+ 3,800
Miscellaneous Training .. .. .	..	..	250	+ 250
Accommodation and Technical Facilities .. .. .	991	877	1,011	+ 134
Other .. .. .	611	846	640	- 207
<b>Total .. .. .</b>	<b>22,080</b>	<b>25,789</b>	<b>34,720</b>	<b>+ 8,931</b>
<b>Navy—</b>				
Service Pay .. .. .	71,624	77,160	81,606	+ 4,446
Civil Salaries .. .. .	42,244	51,596	54,166	+ 2,570
Administrative Expenses and General Services .. .. .	15,438	17,413	17,434	+ 21
Naval Construction .. .. .	10,381	14,182	25,637	+ 11,455
Aircraft Purchase and Manufacture .. .. .	11,812	7,216	12,889	+ 5,673
Ships, Aircraft—Repairs and Maintenance .. .. .	15,716	20,164	23,993	+ 3,829
General Stores .. .. .	57,541	56,396	71,842	+ 15,446
Accommodation and Technical Facilities .. .. .	21,438	24,983	28,116	+ 3,133
Other .. .. .	1,730	1,134	972	- 162
<b>Total .. .. .</b>	<b>247,924</b>	<b>270,244</b>	<b>316,655</b>	<b>+ 46,411</b>
<b>Army—</b>				
Service Pay .. .. .	187,314	208,502	211,246	+ 2,744
Civil Salaries .. .. .	42,556	51,006	55,305	+ 4,299
Administrative Expenses and General Services .. .. .	40,497	43,396	44,005	+ 609
Forces Overseas (Other than Pay) .. .. .	20,885	17,501	10,728	- 6,773
Arms, Armament and Equipment .. .. .	88,510	101,522	79,613	- 21,909
Arms, Armament—Repairs and Maintenance .. .. .	6,919	7,792	8,976	+ 1,184
Accommodation and Technical Facilities .. .. .	34,356	36,073	43,297	+ 7,224
<b>Total .. .. .</b>	<b>421,037</b>	<b>465,792</b>	<b>453,170</b>	<b>- 12,622</b>
<b>Air—</b>				
Service Pay .. .. .	99,876	117,522	118,492	+ 970
Civil Salaries .. .. .	16,079	19,358	20,394	+ 1,037
Administrative Expenses and General Services .. .. .	21,798	22,863	23,583	+ 720
Forces Overseas (Other than Pay) .. .. .	22,477	11,987	10,046	- 1,941
Aircraft Purchase, Manufacture and Lease .. .. .	38,746	26,520	62,813	+ 36,293
Equipment and Stores .. .. .	63,254	61,469	65,526	+ 4,057
Aircraft and Other Equipment—Repairs and Maintenance .. .. .	11,162	13,128	14,143	+ 1,015
Accommodation and Technical Facilities .. .. .	29,266	30,392	37,174	+ 6,782
<b>Total .. .. .</b>	<b>302,657</b>	<b>303,239</b>	<b>352,171</b>	<b>+ 48,932</b>
<b>Supply—</b>				
Civil Salaries .. .. .	13,094	15,580	16,534	+ 954
Administrative Expenses .. .. .	2,733	3,021	3,290	+ 269
<b>Defence Research and Development Establishments—</b>				
Civil Salaries .. .. .	28,945	32,548	34,025	+ 1,477
Administrative and Operational Expenses .. .. .	14,448	12,706	13,389	+ 683
Furniture Removals, Vehicles and Storage .. .. .	11,016	12,983	14,934	+ 1,951
<b>Government Factories—Maintenance of Production</b>				
Capacity, etc. .. .. .	5,814	8,237	8,457	+ 220
Production Development and Assistance .. .. .	6,872	7,742	12,756	+ 5,014
Machinery and Plant .. .. .	9,007	8,335	8,671	+ 336
Accommodation and Technical Facilities .. .. .	12,629	10,220	10,115	- 105
Reserve Stocks .. .. .	1,453	891	1,061	+ 170
<b>Total .. .. .</b>	<b>106,011</b>	<b>112,262</b>	<b>123,232</b>	<b>+ 10,970</b>
<b>General Services—</b>				
Government Contribution to D.F.R.B. Fund .. .. .	16,890	20,752	22,750	+ 1,998
Interest on Credit Purchases .. .. .	13,971	14,131	14,709	+ 578
Other .. .. .	4,413	4,867	5,593	+ 725
<b>Total .. .. .</b>	<b>35,274</b>	<b>39,750</b>	<b>43,052</b>	<b>+ 3,302</b>
<b>Total Defence Services(b) .. .. .</b>	<b>1,134,983</b>	<b>1,217,075</b>	<b>1,323,000</b>	<b>+ 105,925</b>

(a) Some of the figures for 1970-71 have been adjusted for accounting changes to place them on a basis comparable with the figures for 1971-72 and the 1972-73 estimates.

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

Total expenditure on Defence Services is expected to increase in 1972-73 by \$105,925,000. Pay and salary costs are expected to increase by \$19,391,000 after allowing for the fact that there will be one pay day less in 1972-73 than in 1971-72. The main reasons for the expected increase are the full-year effects of the implementation of the Kerr Committee recommendations, the costs of awards and determinations made in 1971-72 and the expected changes in the strengths of the Forces and of civilian staffs of departments in the Defence Group.

Other increases in estimated expenditure include \$41,966,000 for the purchase, manufacture and lease of aircraft for the R.A.N. and the R.A.A.F., \$19,503,000 for equipment and stores for the R.A.N. and R.A.A.F., \$17,168,000 for accommodation and technical facilities and \$11,455,000 for Naval construction. Expenditure on forces overseas (other than pay) by the Army and the R.A.A.F. is expected to decrease by \$8,714,000, whilst expenditure on arms, armament and equipment for the Army is expected to be \$21,909,000 less.

#### *Defence*

Salaries are estimated to increase by \$664,000 mainly as a result of the full year effect of Public Service salary increases awarded in 1971-72. The increase of \$2,281,000 in administrative expenses is due mainly to an accelerated programme involving the engagement of contractors to assist in cataloguing defence stores and equipment. Defence aid on existing programmes in respect of Malaysia and Singapore is expected to increase by \$2,936,000, whilst defence aid to South Vietnam is expected to cost \$1,116,000 less. Defence co-operation with Indonesia, a newly approved project, is expected to cost \$3,800,000 in 1972-73.

#### *Navy*

Expenditure on pay and salaries is estimated to increase by \$7,016,000 due to the effects of the Kerr Committee recommendations, arbitration and other pay and salary determinations in 1971-72 and expected increases in strengths in 1972-73. Expenditure on Naval construction is expected to increase by \$11,455,000, whilst the programme for repairs and maintenance of ships and aircraft is estimated to involve an additional \$3,829,000. Purchase and manufacture of aircraft is expected to increase by \$5,673,000 largely as a result of the decision to purchase new helicopters. Estimated expenditure on general stores is \$15,446,000 more than in 1971-72 due mainly to increased expenditure on ammunition, equipment and spares for naval aircraft, and maintenance stores for H.M.A. ships.

#### *Army*

The main factors contributing to the expected increase of \$7,043,000 in pay and salaries are the full year effects of pay rises in 1971-72 resulting from the recommendations of the Kerr Committee and arbitration and other determinations made in 1971-72.

The forecast reduction of \$21,909,000 in arms, armament and equipment and \$6,773,000 in maintenance of forces overseas reflects, in the main, the reduced activity consequent upon the withdrawal of the Army component from Vietnam.

Expenditure on accommodation and technical facilities is expected to increase by \$7,224,000, mainly to provide for increased housing requirements and increased repairs and maintenance.

#### *Air*

The estimated increase in expenditure includes \$2,007,000 for pay and salaries, due to similar factors as apply to other Services. Expenditure on aircraft purchase, manufacture and lease is expected to be \$36,293,000 greater, reflecting the increased payments expected to be made on the F111-C aircraft and medium-lift helicopters. The principal reason for the estimated increase of \$4,057,000 for equipment and stores is expected delivery of aircraft spares.

The effect of the withdrawal of the R.A.A.F. from Vietnam is reflected in the expected reduction of \$1,941,000 in maintenance of forces overseas. Expenditure on accommodation and technical facilities is expected to increase by \$6,782,000.

#### *Supply*

The increase in expenditure by the Department of Supply on civil salaries is estimated at \$2,431,000, reflecting the full year effect of determinations and awards in 1971-72. Expenditure on furniture removals, vehicles and storage is expected to be \$1,951,000 greater than in 1971-72. Production development and assistance expenditures are estimated to increase by \$5,014,000 reflecting production of the Nomad aircraft, continuation of the light observation helicopter production programme and other developmental projects.

#### *General Services*

The Government contribution to the Defence Forces Retirement Benefits Fund is expected to increase by \$1,998,000 and interest payments on loans raised in the United States of America for defence equipment purchases by \$578,000. Increased expenditure on civil defence, the administration of the National Service Act and vocational training for discharged National Servicemen require an additional \$725,000.

*Defence Expenditure Overseas*

Defence expenditure overseas is expected to be \$217,000,000, or \$41,000,000 more than in 1971-72.

During 1971-72 payments continued overseas on such aircraft projects as the Tracker, Skyhawk and HS748 aircraft 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 on defence aid for overseas countries.

Defence expenditure overseas includes payments for material and equipment financed under the credit arrangements with the United States of America authorised by the Loan (Defence) Acts 1966, 1968, 1970 and 1971:

	1970-71 Actual	1971-72 Actual	1972-73 Estimate
	\$'000	\$'000	\$'000
Navy .. .. .	24,773	15,974	11,267
Army .. .. .	12,310	10,472	4,255
Air .. .. .	19,198	16,687	55,263
Supply .. .. .	572	455	350
<b>Total .. .. .</b>	<b>56,853</b>	<b>43,587</b>	<b>71,135</b>

Repayments of principal under these loans amounted to \$62,630,443 in 1971-72 and are expected to amount to \$66,540,000 in 1972-73.

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

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
<b>General Revenue Payments—</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Financial Assistance Grants .. .. .	1,418,518	1,440,878	1,653,600	+ 212,722
Special Grants .. .. .	18,680	23,800	38,600	+ 14,800
Special Revenue Assistance .. .. .	43,000	(a)72,500	..	- 72,500
<b>Total General Revenue Payments .. .. .</b>	<b>1,480,198</b>	<b>1,537,178</b>	<b>1,692,200</b>	<b>+ 155,022</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 .. .. .	24,550	26,323	27,312	+ 989
Debt Charges Assistance .. .. .	11,504	23,008	34,512	+ 11,504
Universities .. .. .	58,877	67,596	74,474	+ 6,878
Colleges of Advanced Education .. .. .	15,743	18,372	24,550	+ 6,178
Independent Schools .. .. .	24,253	29,594	41,100	+ 11,506
Research Grants .. .. .	4,170	4,341	5,775	+ 1,434
Blood Transfusion Services .. .. .	845	990	1,170	+ 180
Home Care Services .. .. .	318	491	730	+ 239
Senior Citizens Centres .. .. .	3	12	25	+ 13
Paramedical Services .. .. .	..	7	19	+ 12
Housing Grants .. .. .	..	4,000	6,750	+ 2,750
Road Safety Practices .. .. .	150	150	150	..
Natural Disaster Payments .. .. .	9,944	1,188	..	- 1,188
Non-metropolitan Unemployment Relief Grants .. .. .	..	26,999	72,000	+ 45,001
Agricultural Extension Services .. .. .	4,985	5,679	6,300	+ 621
Minor Agricultural Research .. .. .	68	102	134	+ 32
Cattle Tick Control .. .. .	388	450	486	+ 36
Bovine Brucellosis and Tuberculosis Eradication .. .. .	1,421	2,404	4,000	+ 1,596
Coal Mining Industry—Long Service Leave .. .. .	1,416	1,737	2,082	+ 345
Supervision of Apprentice Training .. .. .	..	..	218	+ 218
<b>Total .. .. .</b>	<b>173,806</b>	<b>228,612</b>	<b>316,957</b>	<b>+ 88,346</b>
<b>Specific Purpose Payments of a Capital Nature—</b>				
Universities .. .. .	16,346	23,002	20,502	- 2,500
Colleges of Advanced Education .. .. .	14,837	15,641	18,943	+ 3,302
Teachers Colleges .. .. .	2,470	11,153	16,378	+ 5,225
Pre-School Teachers Colleges .. .. .	856	631	534	- 97
Science Laboratories .. .. .	13,062	10,824	10,824	..
Technical Training .. .. .	12,535	7,411	12,176	+ 4,765
School Libraries .. .. .	13,257	9,780	9,707	- 73
Capital Grants for Government Schools .. .. .	..	6,660	13,340	+ 6,680
Mental Health Institutions .. .. .	4,199	4,207	5,000	+ 793
Tuberculosis Hospitals .. .. .	469	438	392	- 46
Senior Citizens Centres .. .. .	84	268	500	+ 232
Nursing Homes .. .. .	337	460	1,600	+ 1,140
Dwellings for Aged Pensioners .. .. .	4,981	7,622	6,471	- 1,151
Natural Disaster Payments .. .. .	9,978	5,844	..	- 5,844
Softwood Forestry .. .. .	4,784	389	9,215	+ 8,826
Brigalow Lands Development—Queensland .. .. .	300	1,050	1,000	- 50
Bundaberg Irrigation Works—Queensland .. .. .	1,900	3,250	5,500	+ 2,250
Cressy-Longford Irrigation Scheme—Tasmania .. .. .	200	449	101	- 347
Ord River Irrigation Project—Western Australia .. .. .	5,847	4,760	1,293	- 3,467
Water Resources Investigations/Measurements .. .. .	2,622	1,864	3,736	+ 1,872
Water Supply—Western Australia .. .. .	1,792	2,000	158	- 1,842
Flood Mitigation—New South Wales .. .. .	1,098	923	1,200	+ 277
Salinity Reduction—Victoria .. .. .	25	22	38	+ 16
Fairbairn Dam—Queensland .. .. .	4,785	5,530	2,000	- 3,530
Copeton Dam—New South Wales .. .. .	5,750	4,500	4,000	- 500
King River Dam—Victoria .. .. .	2,000	212	92	- 120
Pike Creek Dam—New South Wales—Queensland .. .. .	..	..	842	+ 842
Tallem Bend Pipeline—South Australia .. .. .	1,500	1,500	1,040	- 460
Millewa Pipeline—Victoria .. .. .	..	..	500	+ 500
Dartmouth Dam—New South Wales, Victoria, S.A. .. .. .	..	..	1,500	+ 1,500
Commonwealth Aid Roads Grants .. .. .	218,000	245,250	279,000	+ 33,750
Beef Cattle Roads .. .. .	8,985	10,150	8,760	- 1,390
Eyre Highway—Sealing .. .. .	..	..	625	+ 625
Railway Standardisation Projects .. .. .	7,607	3,012	1,750	- 1,262
Bell Bay Railway—Tasmania .. .. .	..	3,094	1,156	- 1,938
Hydro-electric scheme—Tasmania .. .. .	3,211	2,500	..	- 2,500
Gladstone Power Station—Queensland .. .. .	..	..	14,000	+ 14,000
Natural Gas Pipeline—South Australia .. .. .	2,250	1,750	..	- 1,750
Grassy Harbour—Tasmania .. .. .	..	..	1,158	+ 1,158
Western Australia—Darwin/Shipping Service .. .. .	..	..	2,500	+ 2,500
Tourist Attractions .. .. .	..	..	250	+ 250
Other .. .. .	252	724	518	- 205
<b>Total .. .. .</b>	<b>366,319</b>	<b>396,870</b>	<b>458,300</b>	<b>+ 61,430</b>
<b>Total Specific Purpose Payments .. .. .</b>	<b>540,124</b>	<b>625,482</b>	<b>775,257</b>	<b>+ 149,775</b>
<b>Works and Housing Programmes—</b>				
Interest-free Capital Grant .. .. .	200,000	219,100	248,539	+ 29,439
Advances .. .. .	623,000	672,900	733,461	+ 60,561
<b>Total Works and Housing Programmes .. .. .</b>	<b>823,000</b>	<b>892,000</b>	<b>982,000</b>	<b>+ 90,000</b>
<b>Total Payments to or for the States and Works and Housing Programmes .. .. .</b>	<b>2,843,321</b>	<b>3,054,660</b>	<b>3,449,457</b>	<b>+ 394,797</b>

(a) Includes a special advance of \$17,500,000 to New South Wales.



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 for State works. Further details of the various payments are given in the White Paper 'Commonwealth Payments to or for the States 1972-73'.

In 1972-73 Commonwealth payments to or for the States and works and housing programmes are estimated to total \$3,449,457,000—an increase of \$394,797,000 or 12.9 per cent. Year-to-year comparisons are, however, affected by the arrangements under which pay-roll tax revenues were transferred to the States as from 1 September 1971.

#### *General Revenue Payments*

General revenue payments are estimated to increase by \$155,022,000. The estimated increase in the financial assistance grants of \$212,722,000 is affected by the arrangements under which pay-roll tax revenues were transferred to the States in 1971-72. Under these arrangements, these grants were reduced to offset most of the loss in Commonwealth budget revenues resulting from the transfer. Of the total increase in financial assistance grants, an amount of \$128,000,000 represents additional grants which were agreed at the June 1972 Premiers' Conference. The remainder of the estimated increase arises from the operation of the formula under which these grants increase each year.

Special grants paid on the recommendation of the Commonwealth Grants Commission are estimated to increase by \$14,800,000. In 1971-72 special revenue assistance payments totalled \$72,500,000, including a special advance of \$17,500,000 to New South Wales. No provision has been made in the budget for special revenue assistance to the States in 1972-73.

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

Specific purpose payments of a revenue nature are estimated to be \$88,346,000 greater than in 1971-72. Under the Financial Agreement an amount of \$15,170,000 is paid annually by the Commonwealth to the States towards interest payable by the States. The Commonwealth also makes contributions to the States' Sinking Funds; these contributions are expected to increase by \$989,000 in 1972-73. The amount payable in 1972-73 by the Commonwealth to the States for assistance with debt charges under the *States Grants (Debt Charges Assistance) Act 1970* will increase by \$11,504,000. Grants for non-metropolitan unemployment relief are currently estimated to increase by \$45,001,000 to \$72,000,000. The arrangements under this scheme are to be reviewed before the end of 1972.

Payments to the States for education purposes are estimated to increase by \$25,996,000 of which \$11,506,000 is attributable to increased per capita grants to independent schools. The estimated increases of \$6,878,000 for universities and \$6,178,000 for colleges of advanced education are based on the approved level of recurrent grants for the last year of the 1970-72 triennium and on the level of recurrent grants recommended by the Australian Universities Commission and the Australian Commission on Advanced Education, respectively, for the first calendar year of the 1973-75 triennium. Expenditure under the *States Grants (Housing) Act 1971* will increase by \$2,750,000 in accordance with the provisions of the Act.

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

Specific purpose payments of a capital nature are estimated to increase by \$61,430,000. This includes estimated increases of \$33,750,000 in Commonwealth aid roads grants and \$17,302,000 in payments to the States for education, the latter amount including an increase of \$6,680,000 in capital grants for government schools arising from a new policy measure announced on 9 December 1971. An amount of \$14,000,000 has been set aside to assist Queensland in financing the construction of the Gladstone (Queensland) Power Station in the event that the State satisfies the provisions of the Gladstone Power Station Agreement during 1972-73; no Commonwealth expenditure was made on this project in 1971-72. Other large increases include \$8,826,000 for the softwood forestry programme, the provision of \$1,158,000 to assist Tasmania in the construction of harbour facilities at Grassy (King Island) and \$2,500,000 to Western Australia for the purchase of a ship to maintain the State shipping service to Darwin. Payments to the States for the development and control of water resources are estimated to show a net decrease of \$3,010,000; increased expenditure on the Bundaberg irrigation works, water resources investigations/measurements and the Dartmouth dam is more than offset by reduced requirements for the Ord River irrigation project, Western Australian southwest region water supply project and the Fairbairn dam. Payments for railway construction projects are estimated to be \$3,200,000 less, largely as a result of the estimated decrease of \$1,938,000 in the provision for the construction of the Bell Bay railway in Tasmania. Payments for beef cattle roads are estimated to decrease by \$1,390,000. Financial assistance for the Tasmanian hydro-electric scheme and the South Australian natural gas pipeline ceased at the end of 1971-72.

#### *Works and Housing Programmes*

At its meeting in June 1972 the Australian Loan Council approved a government borrowing programme for 1972-73 of which \$982,000,000 was for the financing of State works and housing. This includes \$248,539,000 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.

The Loan Council approved borrowing programmes of \$488,000,000 for State semi-government and local authorities with individual programmes in excess of \$400,000 in 1972-73. 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 \$400,000 in 1972-73. In 1971-72, no overall limit applied on borrowings by authorities for which the State Governments approved individual programmes of not more than \$300,000.

ITEM NO. 3—PAYMENT TO NATIONAL WELFARE FUND

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
<b>Social Services—</b>				
Age Pensions .. .. .	582,889	680,322	824,600	+ 144,278
Invalid Pensions .. .. .	119,387	138,194	166,325	+ 28,131
Widows Pensions .. .. .	90,514	104,627	126,625	+ 21,998
Maternity Allowances .. .. .	8,554	8,617	9,000	+ 383
Child Endowment .. .. .	198,467	216,610	256,000	+ 39,390
Unemployment and Sickness Benefits .. .. .	23,478	44,754	57,600	+ 12,846
Rehabilitation Service .. .. .	3,646	4,601	5,320	+ 719
Sheltered Employment Allowances .. .. .	590	742	900	+ 158
Funeral Benefits .. .. .	1,653	1,583	1,700	+ 117
Payments under States Grants (Deserted Wives) Act .. .. .	3,691	5,876	8,000	+ 2,124
Personal Care Subsidy .. .. .	1,592	1,830	3,300	+ 1,470
Delivered Meals Subsidy .. .. .	341	338	400	+ 62
<b>Total .. .. .</b>	<b>1,034,801</b>	<b>1,208,094</b>	<b>1,459,770</b>	<b>+ 251,676</b>
<b>National Health Services—</b>				
Medical Benefits .. .. .	95,604	132,574	148,600	+ 16,026
Medical Services for Pensioners .. .. .	19,904	27,804	29,400	+ 1,596
Hospital Benefits .. .. .	49,812	67,305	78,000	+ 10,695
Payments to Public Hospitals for Pensioners .. .. .	23,549	24,065	24,700	+ 635
Nursing Home Benefits .. .. .	49,477	70,593	(a) 78,620	+ 8,027
Additional Nursing Home Benefit for Pensioners .. .. .	..	..	9,100	+ 9,100
Domiciliary Care Benefits .. .. .	..	..	4,000	+ 4,000
Handicapped Persons Homes—Childrens Benefit .. .. .	456	438	500	+ 62
Pharmaceutical Benefits .. .. .	115,094	121,263	125,600	+ 4,337
Pharmaceutical Benefits for Pensioners .. .. .	45,181	52,005	60,900	+ 8,895
Milk for School Children .. .. .	10,160	11,845	11,800	- 45
Tuberculosis Medical Services and Allowances .. .. .	11,256	10,226	11,230	+ 1,004
Miscellaneous Health Services .. .. .	6,612	8,436	9,800	+ 1,364
<b>Total .. .. .</b>	<b>427,106</b>	<b>526,553</b>	<b>592,250</b>	<b>+ 65,697</b>
<b>Housing Benefits—</b>				
Homes Savings Grants .. .. .	15,200	17,397	25,800	+ 8,403
Commonwealth and State Housing Agreement 1945—Contribution to Rental Losses .. .. .	131	151	142	- 9
<b>Total .. .. .</b>	<b>15,331</b>	<b>17,548</b>	<b>25,942</b>	<b>+ 8,394</b>
<b>Total Payment to National Welfare Fund .. .. .</b>	<b>1,477,238</b>	<b>1,752,195</b>	<b>2,077,962</b>	<b>+ 325,767</b>

(a) Expenditure on nursing home benefits for certain repatriation patients will now be met from annual appropriations of the Repatriation Department.

Under the National Welfare Fund Act, the payment from Consolidated Revenue to the National Welfare Fund each year must be equal to actual expenditures from the Fund in that year. After taking account of the new proposals announced in the Budget Speech, expenditure from the National Welfare Fund is estimated to increase by \$325,767,000 to \$2,077,962,000 in 1972-73.

The occurrence of an additional age and invalid pension and public service pay-day in 1971-72 is estimated to have added about \$33,000,000 to payments to the National Welfare Fund in 1971-72, thus reducing the size of the estimated increase in payments to the Fund in 1972-73. Working in the opposite direction, however, is the occurrence in 1972-73 of an additional twelve-weekly child endowment payment, estimated to cost \$27,400,000. The increase in payments to the Fund includes the additional full-year costs of measures announced in the 1971-72 Budget Speech and during 1971-72 which are estimated at about \$100,000,000.

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

The measures announced in the Budget Speech are estimated to add \$154,877,000 to expenditures in 1972-73 and \$227,320,000 in a full year. Details of the estimated costs of these proposed measures are shown in the following table.

Proposal	Estimated Cost	
	1972-73	Full Year
	\$'000	\$'000
<b>Social Services Proposals—</b>		
Increase by \$1.75 a week and \$1.25 a week, respectively, the standard and married rates of pension and similar benefits .. .. .	66,600	88,800
Extend eligibility for pension to the wives of all age and invalid pensioners	8,400	11,200
Increase rate of supplementary assistance by \$2.00 a week .. .. .	15,000	20,000
Extend eligibility for supplementary assistance to married couples paying rent	3,000	4,000
Increase permissible means under the means test by \$10.00 a week and \$17.50 a week for single persons and married couples, respectively ..	33,000	44,000
Capitalise value of annuities and superannuation pensions for means test purposes .. .. .	5,000	10,000
Increase deduction from income for means test purposes for each dependent child of a pensioner by \$2.00 a week .. .. .	450	600
Increase rate of personal care subsidy by \$5.00 a week .. .. .	1,400	1,800
<b>Total Social Services Proposals .. .. .</b>	<b>132,850</b>	<b>180,400</b>
<b>Health Proposals—</b>		
Introduce additional nursing home benefit for pensioners .. .. .	9,100	21,900
Introduce a domiciliary care benefit .. .. .	4,000	14,500
Increase subsidy for approved home nursing organisations .. .. .	397	680
Increase rates of tuberculosis allowances in line with increases proposed for social service pensioners .. .. .	30	40
<b>Total Health Proposals .. .. .</b>	<b>13,527</b>	<b>37,120</b>
<b>Housing Proposals—</b>		
Increase homes savings grant by \$250 .. .. .	8,500	9,800
Increase maximum value of eligible home by \$5,000 .. .. .		
Liberalise conditions to be met by a credit union under the homes savings grants scheme .. .. .		
<b>Total Housing Proposals .. .. .</b>	<b>8,500</b>	<b>9,800</b>
<b>Total National Welfare Fund .. .. .</b>	<b>154,877</b>	<b>227,320</b>

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

ITEM NO. 4—REPATRIATION SERVICES

	1970-71 Actual(a)	1971-72 Actual(a)	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
<b>War and Service Pensions and Allowances—</b>				
Pensions and allowances for ex-servicemen and dependants .. .. .	128,630	139,931	143,586	+ 3,655
Pensions and allowances for widows and other dependants of deceased ex-servicemen ..	62,379	70,716	75,964	+ 5,248
Service pensions .. .. .	43,732	49,194	68,450	+19,256
Pensions and allowances for seamen and other civilians .. .. .	382	454	450	- 4
	235,122	260,295	288,450	+28,155
<b>Other Benefits—</b>				
Specialist local medical officer and ancillary medical services .. .. .	10,130	12,478	13,470	+ 992
Pharmaceutical services .. .. .	16,621	19,049	20,300	+ 1,251
Maintenance of patients in non-departmental institutions .. .. .	6,593	7,729	(b) 10,060	+ 2,331
Miscellaneous benefits .. .. .	11,680	12,739	13,636	+ 897
	45,024	51,996	57,466	+ 5,470
Repatriation Institutions .. .. .	34,255	40,150	42,410	+ 2,260
<b>Total Repatriation Services .. .. .</b>	<b>314,401</b>	<b>352,441</b>	<b>388,326</b>	<b>+35,885</b>

(a) Some of the figures for 1970-71 and 1971-72 have been adjusted for accounting changes to place them on a basis comparable with the 1972-73 estimates.

(b) Expenditure on nursing home benefits for certain repatriation patients which was previously a charge on the National Welfare Fund will now be met from annual appropriations of the Repatriation Department.

Expenditures on repatriation services are expected to increase by \$35,885,000 in 1972-73 to \$388,326,000 after allowing for the occurrence of one less twelve-weekly payment of war pensions and benefits and one less Public Service pay-day in 1972-73. The additional pay-days in 1971-72 added \$13,705,000 to expenditure in that year. The additional full-year cost in 1972-73 of increased benefits announced in the 1971-72 Budget Speech and in April 1972 is estimated to be \$10,998,000. An increase in the number of medical services and in the cost of providing pharmaceutical services, together with the full-year effect of salary determinations in 1971-72 and increased activity at repatriation institutions account for \$5,300,000 of the estimated increase in total expenditure. The proposals announced in the Budget Speech are estimated to cost \$28,550,000 in 1972-73 and \$38,544,000 in a full year. Details of the estimated costs of the particular proposals are shown in the following table.

Proposal	Estimated Cost	
	1972-73	Full Year
	\$'000	\$'000
Increase war pensions—		
General rate—by \$2.00 a week .. .. .	6,104	8,138
Special rate—by \$3.50 a week .. .. .	2,881	3,841
Intermediate rate—by \$2.75 a week .. .. .	204	272
War widows—by \$1.75 a week .. .. .	3,345	4,460
War orphans—		
Father dead—each child by \$0.35 a week .. .. .	54	72
Both parents dead—each child by \$0.70 a week .. .. .		
Continue payment of war pensions to student child 16 to 20 years not in receipt of education living allowances .. .. .	329	439
Increase fifth schedule allowances (items 7-15) by various amounts .. .. .	12	17
Increase attendants allowances—		
Higher rate—by \$1.50 a week .. .. .	45	60
Lower rate—by \$1.00 a week .. .. .		
Increase war widows domestic allowance—by \$0.50 a week .. .. .	965	1,287
Increase general, agricultural and industrial education allowances under the Soldiers' Children Education Scheme .. .. .	200	266
Introduce additional ordinary nursing home benefits for certain repatriation beneficiaries .. .. .	480	950
Increase service pensions and allowances and ease means tests comparable to those for social service pensioners .. .. .	13,750	18,500
Other repatriation proposals (adjustments to fifth schedule allowances (items 1-6) and the rates of sustenance allowance consequential on the proposed increases in the general and special rates of war pension) .. .. .	181	242
<b>Total .. .. .</b>	<b>28,550</b>	<b>38,544</b>

## ITEM NO. 5—DEBT CHARGES

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
Interest(a)—				
Commonwealth Inscribed Stock Act, etc. .. .. .	79,133	67,887	74,253	+ 6,366
International Bank for Reconstruction and Development—Loans .. .. .	6,694	5,771	4,764	- 1,007
Sinking Fund .. .. .	21,061	17,787	21,939	+ 4,152
Loan Flotation Expenses (Consolidated Revenue Fund) .. .. .	75	57	52	- 6
Loan Flotation Expenses (Loan Fund) .. .. .	704	1,257	1,000	- 257
Drought Bonds Expenses .. .. .	118	55	78	+ 23
<b>Total Debt Charges .. .. .</b>	<b>107,786</b>	<b>92,813</b>	<b>102,085</b>	<b>+ 9,272</b>

(a) Interest payments amounting to \$13,971,000 in 1970-71, \$14,131,000 in 1971-72 and an estimated \$14,709,000 in 1972-73 relating to the drawings under credit arrangements for the purchase of defence equipment in the United States of America are included in Item No. 1—Defence Services.

*Interest—Commonwealth Inscribed Stock Act, etc.*—These interest payments are estimated to increase by \$6,366,000 in 1972-73 largely because of increased borrowings by the Commonwealth to finance the interest-free capital grants to the States.

*Sinking Fund.* The National Debt Sinking Fund Act 1966-67 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 from revenue 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 increased by \$96,521,000 during 1971-72 and the gross percentage contribution is therefore estimated to increase by \$3,861,000. After allowing for a loss on the realisation of maturing securities, the reduction in investment income is estimated to be \$291,000 and the net increase in the contribution from Consolidated Revenue is estimated at \$4,152,000.

ITEM NO. 6—DEPARTMENTAL RUNNING EXPENSES

	1970-71 Actual(a)	1971-72 Actual(a)	1972-73 Estimate	+ Increase — Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
Parliament .. .. .	4,067	5,114	5,699	+ 585
Attorney-General's .. .. .	17,514	22,037	23,813	+ 1,776
Civil Aviation .. .. .	73,962	87,674	96,926	+ 9,252
Customs and Excise .. .. .	28,209	33,639	36,418	+ 2,779
Education and Science .. .. .	6,267	7,982	9,393	+ 1,411
Environment, Aborigines and the Arts .. .. .	3,574	5,168	6,450	+ 1,282
External Territories .. .. .	3,239	3,651	3,916	+ 265
Foreign Affairs .. .. .	30,788	36,722	39,783	+ 3,062
Health .. .. .	17,078	20,683	24,053	+ 3,369
Housing .. .. .	6,402	7,337	7,890	+ 553
Immigration .. .. .	19,790	20,349	21,609	+ 1,260
Interior .. .. .	57,312	64,290	71,572	+ 7,281
Labour and National Service .. .. .	15,370	19,493	22,022	+ 2,530
National Development .. .. .	15,081	18,036	19,144	+ 1,109
Primary Industry .. .. .	14,551	18,394	21,078	+ 2,684
Prime Minister and Cabinet .. .. .	24,247	27,817	30,573	+ 2,757
Repatriation .. .. .	16,700	18,913	20,800	+ 1,887
Shipping and Transport .. .. .	8,029	10,460	12,626	+ 2,166
Social Services .. .. .	21,284	26,001	28,504	+ 2,503
Supply—Antarctic Division .. .. .	2,336	2,701	2,822	+ 121
Trade and Industry .. .. .	21,197	23,784	27,650	+ 3,866
Treasury—				
Bureau of Census and Statistics .. .. .	20,078	27,778	24,718	— 3,060
Commonwealth Taxation Office .. .. .	52,095	61,035	66,977	+ 5,942
Other .. .. .	10,624	12,763	13,924	+ 1,161
Works .. .. .	54,035	58,965	64,717	+ 5,752
<b>Total Departmental Running Expenses .. .. .</b>	<b>543,829</b>	<b>640,786</b>	<b>703,078</b>	<b>+ 62,292</b>

(a) Some of the figures for 1970-71 and 1971-72 have been adjusted for accounting changes to place them on a basis comparable with the 1972-73 estimates.

The estimated increase in departmental running expenses is made up as follows:—

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase — Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
Wages and salaries .. .. .	359,868	437,706	474,372	+ 36,666
Other administrative expenses .. .. .	183,961	203,080	228,706	+ 25,626
<b>Total .. .. .</b>	<b>543,829</b>	<b>640,786</b>	<b>703,078</b>	<b>+ 62,292</b>

The estimated increase of \$36,666,000 in expenditure on wages and salaries reflects the full-year effects of higher wage and salary rates arising from arbitration and other determinations during 1971-72, a the increase in staff numbers. This increase would have been larger but for the effect of an additional Public Service pay-day costing about \$17,000,000 in 1971-72.

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

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
<b>Australian Capital Territory—</b>				
Attorney-General's .. .. .	639	847	1,033	+ 187
Education and Science .. .. .	11,105	13,079	15,569	+ 2,490
Health .. .. .	6,361	7,386	8,891	+ 1,506
<b>Interior—</b>				
Police .. .. .	2,451	3,738	3,864	+ 126
Other .. .. .	13,903	15,859	18,509	+ 2,649
Labour and National Service .. .. .	..	18	31	+ 13
National Capital Development Commission .. .. .	2,295	2,733	3,420	+ 687
Works .. .. .	4,600	4,862	5,475	+ 613
<b>Total Australian Capital Territory</b> .. .. .	<b>41,355</b>	<b>48,523</b>	<b>56,793</b>	<b>+ 8,269</b>
<b>Northern Territory—</b>				
Attorney-General's .. .. .	391	508	533	+ 25
Education and Science .. .. .	5,073	6,397	7,984	+ 1,587
Health .. .. .	9,420	11,913	12,818	+ 905
Interior .. .. .	31,037	35,402	44,571	+ 9,169
Labour and National Service .. .. .	..	..	43	+ 43
Works .. .. .	11,160	13,365	16,894	+ 3,529
<b>Total Northern Territory</b> .. .. .	<b>57,081</b>	<b>67,586</b>	<b>82,844</b>	<b>+ 15,258</b>
<b>Total Internal Territories</b> .. .. .	<b>98,436</b>	<b>116,109</b>	<b>139,637</b>	<b>+ 23,528</b>
External Territories(b) .. .. .	1,317	1,467	1,649	+ 182
<b>Total Territories</b> .. .. .	<b>99,753</b>	<b>117,576</b>	<b>141,286</b>	<b>+ 23,709</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 \$2,775,000 for expenditure by the Department of the Interior on police, administration and municipal activities and \$2,490,000 for the Department of Education and Science. Of the latter increase \$1,271,000 is for payment to the New South Wales Department of Education for teachers at government schools in the Australian Capital Territory; \$523,000 is for payment to independent schools as a result of two increases in per capita grants approved by the Government which are operative from the beginning of 1972 and 1973 respectively; and \$428,000 is for increased salaries and general development of the Canberra Technical College. The estimated increase for the Department of Health includes \$884,000 for commissioning the Woden Hospital.

The estimated increase of \$15,258,000 in expenditure in the Northern Territory results from the continuing expansion of expenditure on Aboriginal advancement and community, welfare and municipal services. The estimated increase of \$9,169,000 in expenditure by the Department of the Interior includes \$2,782,000 more for salaries and administrative expenses, \$1,797,000 for general services undertaken by the Northern Territory Administration and \$3,775,000 for Aboriginal advancement. Expenditure by the Department of Works is estimated to increase by \$3,529,000 and relates principally to expenditure on repairs and maintenance. The estimated increase of \$1,587,000 in expenditure by the Department of Education and Science includes \$1,004,000 for increased numbers of teachers and salaries and related expenditure at Government schools and the new Darwin Community College.

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

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
Multilateral Programmes .. .. .	11,458	11,675	17,874	+ 6,199
Bilateral Programmes .. .. .	43,425	51,714	57,784	+ 6,070
	54,883	63,389	75,658	+ 12,269
Papua New Guinea .. .. .	108,186	120,683	129,193	+ 8,510
<b>Total .. .. .</b>	<b>163,069</b>	<b>184,072</b>	<b>204,851</b>	<b>+ 20,779</b>

The figures in this table summarise identifiable items in the budget which are wholly or in part 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 regarded as aid for purposes of international comparison. Such expenditures are included under other heads in the budget.

Details of total expenditures on external economic aid, including estimates of certain expenditures not included in the table above, are set out in Statement No. 8.

ITEM NO. 9—COMMONWEALTH PAYMENTS TO INDUSTRY

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
Rural Industries .. .. .	210,424	296,931	232,590	- 64,341
Manufacturing Industries .. .. .	90,889	92,493	120,627	+ 28,134
Mining Industries .. .. .	13,092	10,629	11,526	+ 897
Transport Industries .. .. .	2,273	2,081	2,000	- 81
<b>Total Commonwealth Payments to Industry</b>	<b>316,677</b>	<b>402,134</b>	<b>366,743</b>	<b>- 35,391</b>

The table above summarises expected Commonwealth payments to industry during 1972-73 together with comparative data of actual payments in the two previous years. Details of these payments, information on other Commonwealth expenditures which assist industry and details of assistance to industry through the taxation system, are set out in Statement No. 9.



## ITEM No. 10—OTHER EXPENDITURES

	1970-71 Actual(a)	1971-72 Actual(a)	1972-73 Estimate	+ Increase — Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
Parliament .. .. .	2,793	2,903	2,909	+ 6
Attorney-General's .. .. .	2,165	2,181	2,312	+ 131
Civil Aviation .. .. .	2,272	2,205	2,662	+ 457
Customs and Excise .. .. .	610	732	784	+ 52
Education and Science—				
Australian National University .. .. .	26,202	29,784	32,590	+ 2,806
Commonwealth Scholarship Schemes .. .. .	38,421	45,676	59,848	+ 14,172
Commonwealth Scientific and Industrial Research Organization .. .. .	44,541	51,060	56,100	+ 5,040
Canberra College of Advanced Education .. .. .	1,678	2,296	3,355	+ 1,059
Other .. .. .	2,094	2,288	2,856	+ 568
Environment, Aborigines and the Arts—				
Aboriginal Advancement .. .. .	10,400	14,830	21,560	+ 6,730
National Library .. .. .	4,382	5,082	5,820	+ 738
Other .. .. .	6,929	6,082	9,581	+ 3,499
External Territories .. .. .	4	..	4	+ 4
Foreign Affairs—				
International Organizations Contributions .. .. .	3,912	4,823	4,890	+ 67
Other .. .. .	427	443	537	+ 94
Health .. .. .	4,912	6,132	8,292	+ 2,160
Housing .. .. .	87	98	100	+ 2
Immigration—				
Assisted Passage Schemes .. .. .	38,487	28,874	29,628	+ 754
Contribution to Commonwealth Hostels Limited .. .. .	5,654	4,900	5,023	+ 123
Migrant Education .. .. .	3,875	6,276	9,225	+ 2,949
Other .. .. .	2,518	2,247	2,539	+ 292
Interior .. .. .	63	68	85	+ 17
Labour and National Service—				
Stevedoring Industry .. .. .	14,009	16,085	19,980	+ 3,895
Employment Training Schemes .. .. .	823	1,440	3,617	+ 2,177
Other .. .. .	129	127	695	+ 568
National Development—				
Australian Atomic Energy Commission .. .. .	11,568	11,426	12,987	+ 1,561
Joint Coal Board .. .. .	513	524	557	+ 33
Other .. .. .	937	1,981	1,029	— 952
Postmaster-General's—				
Broadcasting and Television Services .. .. .	66,101	74,449	79,754	+ 5,306
Wireless Telegraphy Services .. .. .	1,311	1,463	1,612	+ 149
Primary Industry—				
Wheat Research .. .. .	1,337	1,462	1,818	+ 356
Wool Promotion and Research .. .. .	34,237	33,991	33,300	— 691
Meat Research, etc. .. .. .	4,530	6,140	6,470	+ 330
Dairy Produce—Research, Promotion, etc. .. .. .	2,617	2,537	2,785	+ 248
Canned Fruits—Promotion, etc. .. .. .	984	777	840	+ 63
Poultry Industry Stabilization and Research .. .. .	12,790	13,062	12,570	— 492
War Service Land Settlement .. .. .	3,928	4,207	7,200	+ 2,993
Other .. .. .	2,564	3,251	3,787	+ 536
Prime Minister and Cabinet .. .. .	1,176	1,199	5,946	+ 4,748
Shipping and Transport—				
Bureau of Roads .. .. .	661	802	952	+ 150
Other .. .. .	726	755	1,205	+ 450
Social Services—				
Homes for aged persons .. .. .	16,750	19,000	22,000	+ 3,000
Telephone concessions for pensioners .. .. .	2,955	3,806	4,200	+ 394
Other .. .. .	3,028	4,919	6,861	+ 1,942
Trade and Industry .. .. .	2,520	2,960	3,487	+ 527
Treasury—				
Superannuation .. .. .	39,156	53,028	60,900	+ 7,872
Less—Payments in respect of former Post Office employees(b)	16,477	22,110	25,100	+ 2,990
Net Superannuation .. .. .	22,679	30,917	35,800	+ 4,883
Remission of taxes and fines .. .. .	3,154	3,898	4,127	+ 229
Other .. .. .	523	1,329	907	— 422
<b>Total Other Expenditures .. .. .</b>	<b>414,976</b>	<b>461,486</b>	<b>535,185</b>	<b>+ 73,699</b>

(a) With the exception of expenditures on Commonwealth scholarship schemes and the payment to the Aboriginal Advancement Trust Account, the figures for 1970-71 and 1971-72 have been adjusted for accounting changes to place them on a basis comparable with the estimates for 1972-73. The exceptions are discussed in the text.

(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 under annual and special appropriations from the Consolidated Revenue Fund and the Loan Fund which are not included under other items. Total expenditures under this item are expected to increase by \$73,699,000 to \$535,185,000 in 1972-73. Comments on the larger variations are set out below.

*Education and Science*

*Australian National University.* The estimated increase of \$2,806,000 in payments to the Australian National University in 1972-73 is based on the level of recurrent grants approved for the last calendar year of the 1970-72 triennium and on the level of recurrent grants recommended by the Australian Universities Commission for the first calendar year of the 1973-75 triennium.

*Commonwealth Scholarship Schemes.* The estimated increase of \$14,172,000 includes \$6,043,000 for university scholarships, \$1,873,000 for advanced education scholarships, \$1,426,000 for secondary scholarships and \$862,000 for post-graduate awards. As announced in the Budget Speech the estimated increases in university and advanced education scholarships arise mainly from decisions, effective from the beginning of 1973, to increase the number of awards under each scheme by 2,000 to a total of 14,500 and 6,000 per annum, respectively, relax the means test on parental income and increase the living allowance and other benefits to scholarship holders. The estimated increase in expenditure on secondary scholarships results from the phasing in as from the beginning of 1973, of a new scheme of 25,000 awards a year, partially means tested and tenable for the last two years of secondary schooling, in lieu of the existing scheme of 10,000 awards provided annually without a means test. The estimated increase on post-graduate awards reflects increased grants to universities and increased stipends to award holders payable from the beginning of 1973. The increase also reflects the provision of \$3,010,000 for the Aboriginal Secondary Grants Scheme and \$720,000 for the Aboriginal Study Grants Scheme; expenditure on these schemes in 1971-72 was \$2,536,000 and \$474,000, respectively, and was financed from the Aboriginal Advancement Trust Account.

*Commonwealth Scientific and Industrial Research Organization.* Of the total estimated increase of \$5,040,000 in 1972-73, \$2,442,000 arises from increases in salaries including the cost of recent awards and determinations. An additional \$851,000 is required for the redeployment of staff previously supported from primary industry research funds. The balance of the estimated increase reflects higher administrative costs, support for new projects and increased grants for research associations.

*Environment, Aborigines and the Arts*

*Aboriginal Advancement.* An appropriation of \$21,560,000 to the Aboriginal Advancement Trust Account has been provided which, together with the unexpended balance in the Trust Account at 1 July 1972, will allow expenditures aggregating \$22,544,000 in 1972-73. This amount incorporates \$5,000,000 for the acquisition of properties off reserves and, of the balance, it is proposed that \$14,500,000 will be paid to the States. Comparable expenditures in 1971-72 amounted to \$10,816,000, of which \$9,200,000 was paid to the States.

Other expenditures amounting to \$3,150,000, mainly for Aboriginal Secondary and Study grants, were financed from the Aboriginal Advancement Trust Account in 1971-72. In 1972-73 these expenditures will be financed from the votes of the Departments directly responsible for the administration of the programmes.

*Other.* The estimated increase of \$3,499,000 includes an amount of \$2,280,000 for Commonwealth support for the arts. This allows for an additional \$1,491,000 for the programmes administered by the Australian Council for the Arts. Of the remainder, an estimated \$950,000 is for expenditure by the Australian Film Development Corporation under its Act.

*Health*

The estimated increase of \$2,160,000 reflects new and increased grants for medical research. Of the increase, \$806,000 is for payment to the Medical Research Endowment Fund and results from the recently announced increased support for medical research in the 1973-75 triennium, including the medical research programme of the National Health and Medical Research Council. Increases totalling \$684,000 are attributable to new grants to the National Heart Foundation and the Australian Cancer Society as well as additional grants to the Royal Flying Doctor Service and the National Fitness Council. A provision of \$400,000 has been made for the anti-smoking education campaign.

*Immigration*

*Assisted Passage Schemes.* The 1972-73 assisted migrant programme is 90,000 settlers compared with 84,000 in 1971-72. This accounts for the increase of \$754,000 in estimated expenditure on embarkation and passage costs.

*Migrant Education.* The estimated increase of \$2,949,000 includes \$1,625,000 for the further development of the child migrant education programme, \$826,000 for the adult education programme and \$437,000 for intensive English language courses.

*Labour and National Service*

*Stevedoring Industry.* An amount equal to the proceeds of the stevedoring industry charge levied on the industry is paid to the Australian Stevedoring Industry Authority. Payments are estimated to rise by \$3,895,000 in 1972-73 as a result of increased charges operative from February 1972.

*Employment Training Schemes.* The estimated increase of \$2,177,000 includes \$1,582,000 for the expansion of the Country Apprenticeship Scheme and for the introduction of a scheme to stimulate apprenticeship employment in metropolitan areas as announced in the Budget Speech. \$160,000 is required for the introduction of the two new employment training schemes announced in the Budget Speech, and the remaining \$435,000 reflects the further development of existing schemes.

*National Development*

*Australian Atomic Energy Commission.* The running expenses of the Australian Atomic Energy Commission are estimated to increase by a net \$1,561,000 in 1972-73. An additional \$777,000 is required for wages and salaries mainly to provide for the full-year effect of arbitration awards and determinations made during 1971-72. Expenditure on reactor supplies and special nuclear materials is expected to increase by \$316,000, and expenditure on outside services, general expenses and stores is estimated to increase by a total of \$460,000.

*Other.* The estimated reduction of \$952,000 reflects payment during 1971-72 of a contribution of \$1,050,000 to the International Tin Council's buffer stock.

*Postmaster-General's*

*Broadcasting and Television Services.* The estimated increase of \$5,306,000 in expenditure under this item in 1972-73 includes \$3,900,000 for increased running expenses of the Australian Broadcasting Commission and \$1,201,000 for additional expenditure on technical services provided by the Postmaster-General's Department.

*Primary Industry*

*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. The estimated increase in expenditures from loan moneys of \$2,829,000 in 1972-73 is attributable mainly to the provision of \$2,500,000 for special financial assistance to certain South Australian soldier settlers to refinance stock mortgages and provide working capital advances and to an expected increase of \$643,000 in the credit requirements of other soldier settlers in the agent States. These increases are partly offset by an estimated reduction of \$314,000 in the requirement for acquisition and development of properties. Administrative expenses under the War Service Land Settlement Scheme, which are met from annual appropriations, are estimated to increase from \$536,000 to \$700,000 in 1972-73.

*Prime Minister and Cabinet*

An amount of \$5,000,000 has been included to cover the scheme of Child Care Assistance announced in the Budget Speech. This item will be transferred to the vote of the administering department during the year.

*Social Services*

*Homes for Aged Persons.* As announced in the Budget Speech the Commonwealth, under a special arrangement limited to three years, will grant certain organisations that have received subsidy under the *Aged Persons Homes Act 1954-69*, special assistance to build and furnish additional hostel accommodation. The estimated cost of these measures in 1972-73 is \$2,000,000 and this is the main reason for the increase of \$3,000,000 in estimated expenditure on homes for aged persons in 1972-73.

*Other.* Expenditure under this heading is expected to increase by \$1,942,000 and is attributable mainly to estimated increases of \$801,000 in grants to eligible organisations under the *Sheltered Employment (Assistance) Act 1967-1970* and \$1,119,000 under the *Handicapped Children (Assistance) Act 1970*.

*Treasury*

*Superannuation.* The estimated increase of \$7,872,000 in the Government contributions to the Superannuation Fund for the Commonwealth's share of pensions paid to former employees will be partly offset by an increase of \$2,990,000 in the Post Office's contributions for its former employees. Both contributions reflect expected growth in the number of pensioners retiring with a higher entitlement to pension because of salary increases. Provision has also been made for the full year effect of increased pension entitlements granted from 1 October 1971.

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

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase — Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
Post Office .. .. .	247,000	270,000	288,000	+18,000
Australian National Airlines Commission .. .. .	17,117	10,309	38,400	+28,091
Qantas Airways Limited .. .. .	29,982	74,200	36,600	-37,600
Australian Coastal Shipping Commission .. .. .	2,000	6,000	6,500	+ 500
Snowy Mountains Hydro-electric Authority .. .. .	30,734	19,699	15,558	- 4,141
Snowy Mountains Engineering Corporation .. .. .	800	625	400	- 225
Australian Atomic Energy Commission—Repayable Advance .. .. .	2,448	32	..	- 32
Australian Industry Development Corporation .. .. .	25,000	12,500	12,500	..
Export Payments Insurance Corporation .. .. .	..	..	4,000	+ 4,000
Commonwealth Development Bank .. .. .	..	10,000	..	-10,000
Rural Lending .. .. .	..	..	20,000	+20,000
Australian Wool Commission .. .. .	12,000	..	1,000	+ 1,000
War Service Homes .. .. .	61,000	65,000	70,000	+ 5,000
Australian Capital Territory Advances—				
Housing .. .. .	12,090	14,530	20,000	+ 5,470
Electricity Authority .. .. .	800	200	800	+ 600
Northern Territory Advances—				
Housing .. .. .	5,400	6,701	5,500	- 1,201
Port Authority .. .. .	1,047	1,103	..	- 1,103
Other .. .. .	1,075	1,048	715	- 333
Commonwealth Serum Laboratories Commission .. .. .	..	800	2,093	+ 1,293
<b>Total Advances for Capital Purposes .. .. .</b>	<b>448,492</b>	<b>492,747</b>	<b>522,066</b>	<b>+29,319</b>

(a) Other than advances to the States

Advances for Capital Purposes

Expenditures under this item are estimated to increase by \$29,319,000 to \$522,066,000 in 1972-73. This increase is the net result of a number of large variations in individual items.

*Post Office.* It is estimated that an amount of \$288,000,000 or \$18,000,000 more than last year will be provided to the Post Office in 1972-73 to help finance its capital works programme. The Post Office will also be contributing to the programme from its own internal resources, mainly from depreciation funds.

*Australian National Airlines Commission.* The estimated increase includes an extra \$3,091,000 for advances to the Commission of the proceeds of loans raised on the Commission's behalf by the Commonwealth for aircraft purchases. In addition, proposed new accounting arrangements for superannuation require the provision of a loan of \$25,000,000 to the Commission in 1972-73. (The Commission will make an offsetting payment to the Commonwealth of \$21,000,000—see 'Other Revenue', Statement No. 5.)

*Qantas Airways Limited.* An amount of \$25,000,000 has been provided for additional share capital for Qantas. An estimated \$62,600,000 less than in 1971-72 is to be paid to the company as advances of the proceeds of loans raised on the company's behalf by the Commonwealth for the purchase of aircraft.

*Snowy Mountains Hydro-electric Authority.* The estimated decrease of \$4,141,000 in expenditure in 1972-73 reflects progress towards completion of the Snowy Mountains Scheme.

*Australian Industry Development Corporation.* \$12,500,000 has been paid to the Corporation in 1972-73 as a further instalment of capital. This brings to \$50,000,000 the total amount of capital provided to the Corporation.

*Export Payments Insurance Corporation.* An amount of \$4,000,000 is to be provided in 1972-73 as additional capital for the Export Payments Insurance Corporation. No similar payment was made last financial year.

*Commonwealth Development Bank.* Provision was made in 1971-72 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.

*Rural Lending.* As announced in the Budget Speech, \$20,000,000 is being provided for this purpose.

*War Service Homes.* Loans for War Service Homes are expected to be \$5,000,000 greater due to a higher rate of applications for loans and the full-year cost of the increase in the maximum loan to \$9,000 announced in the 1971-72 budget.

*Australian Capital Territory Advances—Housing.* The estimated increase of \$5,470,000 in the provision for Australian Capital Territory Housing Advances includes an additional \$2,853,000 for loans to building societies in the Territory.

*Northern Territory Advances—Housing.* The estimated decrease of \$1,201,000 in this item results from a current downturn in demand for Commission dwellings in Darwin.

*Northern Territory Advances—Port Authority.* Advances to the Northern Territory Port Authority are estimated to decrease by \$1,103,000 in 1972-73, due largely to the exclusion of any provision for the Darwin Port Development project, pending reconsideration of the nature and extent of facilities required.

*Commonwealth Serum Laboratories Commission.* The provision of \$2,093,000, an increase of \$1,293,000, has been made to allow the Commission to continue its capital expansion programme.

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

	1970-71 Actual(a)	1971-72 Actual(a)	1972-73 Estimate	+Increase —Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
<b>Purchase of Sites, Buildings and Improvements on Leases—</b>				
<b>Under the control of the Department of the Interior—</b>				
Civil Aviation .. .. .	1,808	2,773	4,904	+ 2,131
Interior .. .. .	1,841	21,119	2,408	— 18,711
Other .. .. .	3,739	2,001	1,543	— 458
Overseas Establishments .. .. .	547	1,157	1,998	+ 841
Other .. .. .	169	55	22	— 33
<b>Total Purchases, etc. .. .. .</b>	<b>8,104</b>	<b>27,105</b>	<b>10,875</b>	<b>— 16,230</b>
<b>Buildings and Works—</b>				
<b>Under the control of the Department of Works—</b>				
Civil Aviation .. .. .	39,202	28,132	11,000	— 17,132
Education and Science—				
C.S.I.R.O. .. .. .	3,878	3,347	3,700	+ 353
Other .. .. .	4,081	6,831	8,210	+ 1,379
Health .. .. .	6,608	17,383	12,200	— 5,183
Immigration .. .. .	974	45	38	— 7
Interior .. .. .	33,082	38,321	51,230	+ 12,909
Repatriation .. .. .	2,345	1,275	3,150	+ 1,875
Social Services .. .. .	953	1,942	1,030	— 912
Works .. .. .	1,136	683	1,020	+ 337
Broadcasting and Television Services .. .. .	3,486	5,716	4,170	— 1,546
Other .. .. .	3,348	4,463	4,936	+ 473
<b>Total .. .. .</b>	<b>99,093</b>	<b>108,138</b>	<b>100,684</b>	<b>— 7,454</b>
<b>National Capital Development Commission .. .. .</b>	<b>55,750</b>	<b>59,500</b>	<b>68,400</b>	<b>+ 8,900</b>
<b>Other—</b>				
Attorney-General's .. .. .	857	1,091	3,780	+ 2,689
C.S.I.R.O. .. .. .	540	433	460	+ 27
Overseas Establishments .. .. .	288	923	1,470	+ 547
Other .. .. .	1,943	2,539	3,053	+ 514
<b>Total .. .. .</b>	<b>3,628</b>	<b>4,986</b>	<b>8,763</b>	<b>+ 3,777</b>
<b>Total Buildings and Works .. .. .</b>	<b>158,471</b>	<b>172,624</b>	<b>177,847</b>	<b>+ 5,223</b>
<b>Plant and Equipment, etc.—</b>				
Civil Aviation .. .. .	11,396	9,999	9,900	— 99
C.S.I.R.O. .. .. .	1,056	1,107	1,465	+ 358
Health .. .. .	5,707	1,271	2,875	+ 1,604
Interior .. .. .	5,166	6,236	6,336	+ 100
Works .. .. .	3,851	3,038	3,200	+ 162
Broadcasting and Television Services .. .. .	5,859	5,744	8,877	+ 3,133
Wireless Telegraphy Services .. .. .	206	270	243	— 27
Repatriation .. .. .	2,782	1,001	1,680	+ 679
Social Services .. .. .	2,461	39	35	— 4
National Development .. .. .	992	798	925	+ 127
Overseas Establishments .. .. .	352	276	480	+ 206
Other .. .. .	1,952	1,437	8,942	+ 7,505
<b>Total Plant and Equipment .. .. .</b>	<b>41,780</b>	<b>31,216</b>	<b>44,958</b>	<b>+ 13,742</b>
<b>Other Payments to or for Statutory Bodies and Other</b>				
<b>Organisations for Capital Purposes—</b>				
Commonwealth Railways .. .. .	14,319	17,565	15,738	— 1,827
Commonwealth Hostels .. .. .	5,460	1,967	1,250	— 717
Australian National University .. .. .	5,690	5,048	3,543	— 1,505
Canberra College of Advanced Education .. .. .	3,310	3,233	2,778	— 455
Independent schools—A.C.T. and N.T. .. .. .	833	1,076	882	— 194
Australian Atomic Energy Commission .. .. .	1,780	1,764	1,229	— 535
Anglo-Australia Telescope Board .. .. .	388	1,748	1,720	— 28
Other .. .. .	869	927	2,748	+ 1,821
<b>Total Other Payments .. .. .</b>	<b>32,649</b>	<b>33,328</b>	<b>29,888</b>	<b>— 3,440</b>
<b>Total Other Capital Works and Services .. .. .</b>	<b>241,006</b>	<b>264,273</b>	<b>263,567</b>	<b>— 706</b>

(a) Figures for 1970-71 and 1971-72 have been adjusted for accounting changes to place them on a basis comparable with the 1972-73 estimates.

Expenditure on other capital works and services is estimated to decrease by \$706,000 to \$263,567,000 in 1972-73. Details of the major variations are set out below.

*Purchase of Sites, Buildings and Improvements on Leases*

*Under the Control of the Department of the Interior.*

*Civil Aviation.* The principal reasons for the estimated increase of \$2,131,000 in expenditure on behalf of the Department of Civil Aviation are further purchases of land for the future development of Perth Airport and the purchase of staff residences in remote areas from the State Housing Commission of Western Australia.

*Interior.* Expenditure by the Department of Interior in 1972-73 is expected to be \$18,711,000 less than in 1971-72, largely because of non-recurring expenditure of \$16,700,000 in 1971-72 for the transfer of five acres of Navy land at Woolloomooloo to the Department of the Interior for development as a Commonwealth office site. Another contributing factor is reduced expenditure on freehold land acquisitions in the A.C.T.

*Buildings and Works*

*Under the Control of the Department of Works*

*Civil Aviation.* The estimated \$17,132,000 reduction in civil aviation works is due to a further 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 C.S.I.R.O. is estimated to be \$353,000 more than in 1971-72. The estimated increase of \$1,379,000 on other works reflects a larger construction programme for schools in the Northern Territory.

*Health.* The estimated decrease of \$5,183,000 is attributable mainly to reduced requirements for works-in-progress, particularly the Nhulunbuy hospital complex (N.T.) and the Woden Valley Hospital (A.C.T.).

*Interior.* Urban development and Aboriginal advancement projects in the Northern Territory are the main factors leading to the increase of \$12,909,000 in expenditure. Expenditure on office construction is expected to be \$1,016,000 more than in 1971-72.

*Repatriation.* The estimated increase of \$1,875,000 is due mainly to the construction of pathology and operating facilities at Heidelberg Repatriation Hospital (Vic.).

*Social Services.* With the new rehabilitation centre at Glen Waverley (Vic.) nearing completion, works expenditure for the department is expected to decline by \$912,000 this year.

*Broadcasting and Television Services.* With major projects nearing completion in Adelaide and Cairns (Mt Bellenden Ker), works expenditure is expected to be \$1,546,000 less than in 1971-72.

*National Capital Development Commission*

Expenditure is expected to be \$8,900,000 greater than in 1971-72. Estimated requirements for 'basic' works exceed last year's expenditure by \$7,500,000. The principal proposed increases are \$1,900,000 for roads and traffic works particularly arterial roads, \$1,800,000 for retail, commercial and industrial facilities, \$1,600,000 for sewerage works, and \$1,200,000 for 'city' works including the Phillip (A.C.T.) transport depot. Expenditure on Commonwealth offices is expected to rise by \$900,000.

*Plant and Equipment, etc.*

*Health.* The estimated increase of \$1,604,000 is principally for the purchase of peripheral computer equipment for the department's central computer facility, and additional replacement equipment for hospital and other health services in the Northern Territory.

*Broadcasting and Television Services.* The increase of \$3,133,000 relates to the acquisition of new studio equipment for the Australian Broadcasting Commission and the provision of television transmission facilities in remote country areas.

*Other.* The increase of \$7,505,000 under this heading includes increases of \$1,579,000 for A.D.P. equipment for the Department of Customs and Excise, \$2,200,000 for vessels, plant and equipment for the Department of Shipping and Transport, and \$2,227,000 for plant and equipment for the Statistician's Branch of the Department of the Treasury.

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

Expenditures under this heading are estimated to be \$3,440,000 less in 1972-73 than in 1971-72. Details of the major variations are set out below.

*Commonwealth Railways.* The estimated reduction of \$1,827,000 under this heading comprises a reduction of \$5,215,000, due mainly to the expected completion of the Port Augusta to Whyalla Railway and reduced expenditure for rolling stock and building and construction in 1972-73, partly offset by an increase of \$3,388,000 to commence construction of the Tarcoola to Alice Springs railway.

*Australian National University.* The estimated reduction of \$1,505,000 in payments to the Australian National University reflects the recommendations of the Australian Universities Commission for the 1973-75 triennium.

*Other.* The estimated increase of \$1,821,000 includes an increase of \$1,066,000 in payments to the River Murray Commission reflecting estimated contributions in 1972-73 for the construction of the Dartmouth Dam.

**STATEMENT No. 5—ESTIMATES OF RECEIPTS, 1972-73**

The transfer of pay-roll tax to the States as from 1 September 1971 has resulted in a loss to Commonwealth revenues from that date and affected the increases in budget revenues. The transfer of pay-roll tax was accompanied by a reduction in financial assistance grants payable to the States. Details of the arrangements relating to the transfer of pay-roll tax are set out in the document 'Commonwealth Payments to or for the States 1972-73' presented concurrently with the budget and the effects of the transfer on year-to-year comparisons of revenue are discussed in Statement No. 7.

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 1972-73 would amount to \$9,881,775,000 which would be \$1,036,379,000 or 11.7 per cent more than total receipts in 1971-72.



Details of the estimated effects on receipts in 1972-73 and in a full year of the revenue proposals announced in the Budget Speech are shown in the following table.

Proposal	Estimated Effect on Receipts + Increase - Decrease	
	1972-73 \$'000	Full year \$'000
<b>Excise Duty, etc.—</b>		
Impose tax of 3 cents per litre on liquefied petroleum gas used in road vehicles and remove exemption on petroleum products derived from shale .. .. .	+ 20	+ 25
<b>Sales Tax—</b>		
Exemption from tax of imported works of art .. .. .	- 480	- 600
<b>Income Tax—</b>		
<b>Individuals—</b>		
Reduction in rates of income tax payable—		
Gross P.A.Y.E. .. .. .	- 313,000	} (a)
Other .. .. .	- 67,000	
Total .. .. .	- 380,000	- 480,000
Increase dependants' allowances by \$52 per annum—		
Gross P.A.Y.E. .. .. .	- 36,000	} (a)
Other .. .. .	- 2,000	
Total .. .. .	- 38,000	- 63,000
Increase minimum taxable income from \$417 to \$1,041 per annum—		
Gross P.A.Y.E. .. .. .	- 13,000	} (a)
Other .. .. .	- 1,000	
Total .. .. .	- 14,000	- 18,000
Deduction of up to \$400 per annum for a range of expenditures made by a taxpayer on his own education—		
Gross P.A.Y.E. .. .. .	Nil	} (a)
Other .. .. .	200	
Total .. .. .	- 200	- 4,500
<b>Total Income Tax—Individuals .. .. .</b>	<b>- 432,200</b>	<b>- 565,500</b>
<b>Estate Duty—</b>		
Doubling in the outright statutory exemptions for both general and primary producer estates.	- 3,000	- 19,000
<b>Gift Duty—</b>		
Increase in exemption level to \$10,000 .. .. .	- 400	- 750
<b>Stamp Duty—</b>		
Increase in rate of duty in A.C.T. on transactions in marketable securities .. .. .	+ 200	+ 300
<b>Total Taxation .. .. .</b>	<b>- 435,860</b>	<b>- 585,525</b>
<b>Other Revenue—</b>		
Increase in air navigation charges .. .. .	+ 800	+ 1,600
Increase in light dues .. .. .	+ 750	+ 1,000
<b>Total Other Revenue .. .. .</b>	<b>+ 1,550</b>	<b>+ 2,600</b>
<b>Total effect on Receipts .. .. .</b>	<b>- 434,310</b>	<b>- 582,925</b>

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

After taking these revenue proposals into account, total receipts in 1972-73 are estimated at \$9,447,465,000, an increase of \$602,069,000 or 6.8 per cent. In 1971-72, total receipts increased by \$815,167,000 or 10.2 per cent. The transfer of pay-roll tax to the States is estimated to have reduced receipts by \$253,169,000 in 1971-72.

The following table compares estimated receipts in 1972-73 with actual receipts in the two preceding financial years.

	1970-71 Actual(a)	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
<b>Taxation Revenue—</b>				
Customs Duty .. .. .	465,728	467,879	525,000	+ 57,121
Excise Duty, etc. .. .	1,053,304	1,212,006	1,283,020	+ 71,014
Sales Tax .. .. .	633,159	682,801	736,520	+ 53,719
<b>Income Tax—Individuals—</b>				
Gross P.A.Y.E. .. .	2,939,073	3,492,066	3,798,000	+ 305,934
Less Refunds .. .	507,011	603,519	520,000	- 83,519
Net P.A.Y.E. .. .	2,432,062	2,888,547	3,278,000	+ 389,453
Other .. .. .	746,075	880,037	929,800	+ 49,763
Companies .. .. .	1,395,389	1,477,482	1,500,000	+ 22,518
<b>Withholding Tax—</b>				
Dividends .. .. .	35,956	42,002	44,000	+ 1,998
Interest .. .. .	12,318	15,650	20,000	+ 4,350
Pay-roll Tax .. .. .	295,428	99,070	5,500	- 93,570
Estate Duty .. .. .	70,073	67,206	67,000	- 206
Gift Duty .. .. .	7,795	8,530	8,100	- 430
Stamp Duty (A.C.T. and N.T.) .. .	2,651	2,719	3,560	+ 841
<b>Total Taxation Revenue .. .. .</b>	<b>7,149,938</b>	<b>7,843,927</b>	<b>8,400,500</b>	<b>+ 556,573</b>
Other Revenue .. .. .	663,638	739,569	784,816	+ 45,247
National Debt Sinking Fund .. .	156,043	160,649	173,248	+ 12,600
Net increase in other balances of the Commonwealth in the Trust Fund .. .	60,610	101,251	88,900	- 12,351
<b>Total Receipts .. .. .</b>	<b>8,030,229</b>	<b>8,845,396</b>	<b>9,447,465</b>	<b>+ 602,069</b>

(a) Some of the figures for 1970-71 have been adjusted for accounting changes to place them on a basis comparable with 1971-72 figures and the estimates for 1972-73.

**TAXATION REVENUE**

In 1972-73 total taxation revenue is estimated to increase by \$556,573,000 or 7.1 per cent, to \$8,400,500,000. The main changes in estimated taxation collections are discussed in the following notes.

*Customs Duty.* On the basis of existing legislation, collections of customs duty are estimated to increase by \$57,121,000 to \$525,000,000. This estimate allows for an increase in the value of recorded imports in 1972-73 and for an increase in the proportion of imports dutiable at higher rates.

*Excise Duty, etc.* The estimate of excise duty collections assumes that consumer spending will increase more strongly in 1972-73 than in 1971-72. Allowing for the minor measure announced in the Budget Speech, collections are estimated to increase by \$71,014,000 or 5.9 per cent to \$1,283,020,000—the full year effect of the reduction in excise duty on wine, announced in May 1972, is reflected in this estimate. The increase in collections in 1971-72 of \$158,702,000 or 15.1 per cent, included the effects of increases in excise duty rates in that year.

The main components of the estimate for 1972-73 are as follows:—

	1971-72 Preliminary	1972-73 Estimate	Increase
	\$'000	\$'000	\$'000
Beer .. .. .	398,330	415,950	17,620
Tobacco Products .. .. .	307,236	328,736	21,500
Motor Spirit .. .. .	404,738	433,526	28,788
Other .. .. .	101,702	104,808	3,106
	1,212,006	1,283,020	71,014

**Sales Tax.** The estimate of sales tax collections in 1972-73 assumes that the sale values of most goods subject to sales tax will increase more strongly in 1972-73 than they did in 1971-72. On the basis of existing legislation, it is estimated that sales tax collections will increase by \$54,199,000 or 7.9 per cent to \$737,000,000, following an increase of \$49,642,000 in 1971-72. The effect of the proposed exemption from sales tax of works of art will be to reduce collections in 1972-73 by an estimated \$480,000 to \$736,520,000.

**Income Tax—Individuals.** It is estimated, on the basis of a 2½ per cent levy for 1972-73 and other provisions of existing legislation, that net collections of income tax from individuals in 1972-73 would increase by \$871,416,000 or 23.1 per cent to \$4,640,000,000. The measures announced in the Budget Speech are estimated to reduce income tax collections from individuals by \$432,200,000 in 1972-73. Thus after allowing for these changes, net income tax collections from individuals are estimated to increase by \$439,216,000 in 1972-73.

- (a) **Pay-as-you-earn Instalment Deductions.** On the basis of an on-going levy of 2½ per cent and other provisions of existing legislation, gross pay-as-you-earn instalment deductions in 1972-73 are estimated at \$4,160,000,000 or \$667,934,000 more than in 1971-72. For the purpose of estimating pay-as-you-earn collections, an increase of 9.0 per cent has been assumed as the increase in average earnings for 1972-73. 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 reliability. Nor does its use imply that it is a budget objective. The increase in the average number of employees in 1972-73 in terms of 'male units' is assumed to be 2.0 per cent, a little above that experienced in 1971-72.

Refunds of pay-as-you-earn instalment deductions are estimated to decrease by \$83,519,000, one factor being the effect of the variations made to tax instalment schedules during the 1970-71 and 1971-72 financial years. Net pay-as-you-earn collections, before taking account of the proposals outlined in the Budget Speech, are therefore estimated to increase by \$751,453,000 to \$3,640,000,000. Allowing for the new taxation measures the estimate is \$3,278,000,000, an increase of \$389,453,000.

- (b) **Other.** On the basis of existing legislation and provisional tax including a levy of 2½ per cent in 1972-73, collections on assessments of individuals are estimated to increase by \$119,963,000 to \$1,000,000,000. The overall increase in 1971-72 incomes, other than wages and salaries, reflects a recovery of about 18.0 per cent in the business incomes of primary producers during 1971-72. The incomes of other individuals subject to provisional tax are estimated to have increased by 6.6 per cent in 1971-72. These 1971-72 incomes are, of course, subject to tax in 1972-73. After allowance is made for the effects of the new income tax measures, collections on assessments of individuals are estimated to amount to \$929,800,000 in 1972-73.

**Income Tax—Companies.** Incomes of companies in 1971-72, which are subject to tax in 1972-73, are estimated to have increased by 3.2 per cent, following an increase of 1.9 per cent in 1970-71. Collections of income tax from companies in 1972-73 are estimated at \$1,500,000,000, an increase of \$22,518,000.

*Pay-roll Tax.* Pay-roll tax collections are estimated to decline by \$93,570,000 in 1972-73. Pay-roll tax ceased to be levied by the Commonwealth on wages and salaries paid in the States on and after 1 September 1971. The estimated collections of \$5,500,000 in 1972-73 therefore relate mainly to pay-roll tax on wages and salaries paid in the Australian Capital Territory and the Northern Territory.

*Estate Duty.* On the basis of existing legislation, it is estimated that collections of estate duty will increase by \$2,794,000 to \$70,000,000 in 1972-73, following a decrease of \$2,867,000 in 1971-72. The changes in the relevant provisions as announced in the Budget Speech are estimated to have a cost to revenue in 1972-73 of \$3,000,000, reducing collections to \$67,000,000.

*Gift Duty.* Gift duty collections in 1972-73 are estimated, on the basis of the present legislation, at \$8,500,000. The changes in gift duty legislation announced in the Budget Speech are estimated to reduce collections in 1972-73 by \$400,000 to \$8,100,000.

*Stamp Duty (A.C.T. and N.T.).* At existing rates, stamp duty revenues in the Territories are estimated to total \$3,360,000 in 1972-73, an increase of \$641,000. The gain to revenue in 1972-73 of the proposed change in the A.C.T. stamp duty provisions announced in the Budget Speech is estimated at \$200,000. This estimate is based on the assumption that the new rates will apply as from 1 November 1972.

OTHER REVENUE

	1970-71 Actual(a)	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
Parliament .. .. .	3	3	8	+
Attorney-General's .. .. .	4,883	5,541	5,958	+ 418
Civil Aviation—				
Australian National Airlines Commission—Payment in the nature of a dividend .. .. .	1,275	1,500	1,500	—
Qantas Airways Limited—Dividend .. .. .	3,940	2,955	—	- 2,955
Air Navigation Charges .. .. .	20,171	22,747	26,450	+ 3,703
Other .. .. .	7,266	10,471	10,370	+ 101
Customs and Excise .. .. .	1,659	1,776	1,800	+ 24
Education and Science .. .. .	602	306	236	- 70
Environment, Aborigines and the Arts .. .. .	292	673	640	- 33
External Territories .. .. .	1,121	1,173	3,775	+ 2,602
Foreign Affairs .. .. .	867	1,371	772	- 599
Health .. .. .	646	720	930	+ 209
Housing—				
War Service Homes—Repayments of interest and principal (net of refunds) .. .. .	77,853	83,055	82,450	- 605
Other .. .. .	930	832	838	+ 6
Immigration .. .. .	2,902	2,987	3,255	+ 268
Interior .. .. .	12,355	31,836	15,645	- 16,191
Labour and National Service—				
Stevedoring Industry Charge .. .. .	13,242	16,277	19,980	+ 3,703
Other .. .. .	161	116	102	- 14
National Development—				
Snowy Mountains Hydro-electric Authority—				
Interest .. .. .	30,182	31,436	38,144	+ 6,708
Principal .. .. .	3,346	3,651	5,210	+ 1,559
Other .. .. .	1,721	1,694	1,870	+ 176
Postmaster-General's—				
Broadcasting and Television Licence Fees .. .. .	52,485	65,189	70,480	+ 5,291
Wireless Telegraphy Fees .. .. .	647	968	1,000	+ 32
Primary Industry—				
War Service Land Settlement—				
Interest, rent, repayments and other .. .. .	5,931	7,158	6,380	- 778
Wool Tax .. .. .	5,567	5,496	5,600	+ 104
Butter Fat and Dairying Research Levies .. .. .	2,184	2,133	2,375	+ 242
Livestock Slaughter Levy—				
Cattle .. .. .	1,811	2,432	2,530	+ 98
Sheep and Lambs .. .. .	1,409	1,932	2,040	+ 108
Pigs .. .. .	—	144	200	+ 56
Poultry Industry Levy .. .. .	12,819	13,038	12,500	- 538
Rural Reconstruction—Interest .. .. .	—	148	2,000	+ 1,852
Other .. .. .	4,578	6,099	6,508	+ 409
Prime Minister and Cabinet .. .. .	603	733	739	+ 6
Repatriation .. .. .	2,509	2,575	2,000	- 575
Shipping and Transport—				
Commonwealth Railways—Net receipts .. .. .	5,904	3,576	6,152	+ 2,576
Other .. .. .	17,710	16,172	17,868	+ 1,696
Social Services .. .. .	282	307	302	- 5
Trade and Industry .. .. .	1,332	1,837	1,900	+ 63
Treasury—				
Reserve Bank of Australia .. .. .	41,568	43,170	25,000	- 18,170
Commonwealth Banking Corporation .. .. .	3,824	5,660	6,000	+ 340
Investments of General Trust Fund—Interest and profit .. .. .	1,026	921	900	- 21
Overseas Telecommunications Commission—				
Payment in the nature of a dividend .. .. .	7,354	1,966	2,625	+ 659
Payment by Post Office of interest on capital .. .. .	123,651	141,842	160,000	+ 18,158
Offshore Petroleum Royalties .. .. .	5,016	7,548	8,000	+ 452
Repayment of principal from—				
Australian National Airlines Commission .. .. .	7,788	8,834	10,711	+ 1,877
Qantas Airways Limited .. .. .	19,801	23,721	27,382	+ 3,661
Interest on Wheat Board Advances .. .. .	5,774	5,037	2,200	- 2,837
Superannuation Contributions by Australian National Airlines Commission .. .. .	—	—	21,000	+ 21,000
Other .. .. .	35,544	31,667	43,209	+ 11,542
Works .. .. .	17,071	14,295	15,848	+ 1,553
Defence .. .. .	484	23	—	- 23
Navy .. .. .	3,096	2,935	3,172	+ 237
Army .. .. .	3,448	5,258	3,200	- 2,058
Air .. .. .	2,777	4,321	2,509	- 1,812
Supply—				
Repayments from United Kingdom—Weapons Research Establishment .. .. .	5,540	6,208	6,701	+ 493
Other .. .. .	19,079	17,459	13,916	- 3,543
Territories Revenue—				
Australian Capital Territory .. .. .	38,613	48,595	49,498	+ 903
Northern Territory .. .. .	20,468	18,473	21,793	+ 3,320
Cocos and Christmas Islands .. .. .	531	579	646	+ 67
<b>Total Other Revenue .. .. .</b>	<b>663,638</b>	<b>739,569</b>	<b>784,816</b>	<b>+ 45,247</b>

(a) Some of the figures for 1970-71 have been adjusted for accounting changes to place them on a basis comparable with 1971-72 figures and the estimates for 1972-73.

Other revenue is estimated to increase by \$45,247,000 in 1972-73. Brief explanations of the larger variations are contained in the following notes.

*Civil Aviation*

*Qantas Airways Limited—Dividend.* Dividend receipts are estimated to be \$2,955,000 less, there being no provision for the receipt during 1972-73 of a dividend in respect of the company's 1971-72 financial year.

*Air Navigation Charges.* Collections are expected to increase by \$3,703,000 as a result of growth in air traffic, the lifting of weight restrictions on aircraft at certain airports, and the increase in charges announced in the Budget Speech which is estimated to yield \$800,000 in 1972-73.

*External Territories*

The estimated increase of \$2,602,000 reflects the net effect of the sale to the Papua New Guinea Investment Corporation of the shares in Commonwealth New Guinea Timbers Ltd., which were previously held by the Commonwealth, and the consequent discontinuation of dividend receipts from that company in 1972-73.

*Interior*

In 1971-72, Navy land at Woolloomooloo, N.S.W., valued at \$16,700,000 was transferred to the Department of the Interior. No similar transaction is expected in 1972-73 and this is the major factor accounting for the net decrease of \$16,191,000 in Interior revenues. Revenue for services provided by the Bureau of Meteorology is estimated to increase by \$604,000.

*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 \$3,703,000 in 1972-73 reflects the full year impact of increased charges effective from February 1972.

*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 \$6,708,000 and \$1,559,000 respectively in 1972-73 mainly as a result of bringing to account certain capital expenditure relating to the Tumut 3 project.

*Postmaster-General's*

*Broadcasting and Television Licence Fees.* The estimated increase of \$5,291,000 in 1972-73 includes additional revenue of \$5,215,000 from broadcasting listeners' and television viewers' licence fees, the rates of which were increased from 1 October 1971.

*Primary Industry*

*Rural Reconstruction—Interest.* The estimated increase of \$1,852,000 reflects the full year effects of the substantial repayable advances made last year and the further increase in such advances expected in 1972-73.

*Shipping and Transport*

*Commonwealth Railways—Net Receipts.* Net receipts from Commonwealth Railways are estimated to increase by \$2,576,000 in 1972-73. Gross receipts are expected to be \$3,460,000 greater than in 1971-72 as a result of traffic growth and increases in some freight rates. Working expenses, however, are expected to increase by \$884,000 mainly as a result of higher wage and salary payments.

*Other.* The estimated increase of \$1,696,000 in 1972-73 reflects a projected increase in light dues of \$872,000, which is mainly attributable to increased charges announced in the Budget Speech. Loan interest payable by the Australian Coastal Shipping Commission is expected to increase by \$626,000 in 1972-73.

*Treasury*

*Reserve Bank.* Consolidated Revenue Fund receipts from Reserve Bank profits are estimated to decrease by \$18,170,000 in 1972-73 reflecting certain consequences of changes in international currency values.

*Post Office—Interest on Capital.* It is estimated that because of the increase in capital advanced to the Post Office, interest received from the Post Office will rise by \$18,158,000 in 1972-73.

*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 \$1,877,000 in 1972-73 while repayments by Qantas are estimated to be \$3,661,000 greater, relating principally to loans drawn in 1971-72 for aircraft and equipment purchases.

*Interest on Wheat Board Advances.* Interest receipts on funds advanced to the Australian Wheat Board are estimated to decrease by \$2,837,000 because of an expected decline in the average advance outstanding to the Wheat Board in 1972-73.

*Superannuation Contributions by the Australian National Airlines Commission.* The estimated receipts of \$21,000,000 from the Commission in 1972-73 represent payments under an arrangement expected to be entered into between the Treasurer and the Commission in terms of Section 145 of the Superannuation Act 1922-1971, in respect of the Commission's accruing liability under that Act.

*Other.* The estimated increase of \$11,542,000 is attributable largely to increased interest and principal repayments on various advances to the States. The larger increases include \$3,500,000 and \$2,000,000 respectively for repayments of special advances made to N.S.W. and Victoria; \$3,102,000 from Tasmania relating to hydro-electric power development assistance; and \$1,927,000 from South Australia in respect of natural gas pipeline assistance.

*Works*

Revenue is estimated to increase by \$1,553,000 in 1972-73 due mainly to the sale of some Department of Works assets in Papua New Guinea to the Administration in accordance with agreed arrangements for the transfer of functions. There will be an offsetting element in the form of a special Commonwealth grant to Papua New Guinea to facilitate the acquisition of these assets by the Administration.

*Army*

Receipts are estimated to decline by \$2,058,000 in 1972-73 mainly because disposals and sales of stores are expected to be much lower than in 1971-72. In addition, revenue in 1971-72 included \$500,000 on account of imprest advances repaid following the withdrawal of the Vietnam force.

*Air*

The main reason for the decline of \$1,812,000 in estimated receipts in 1972-73 is that revenue in 1971-72 included a compensation payment of \$1,680,000 on account of an 'Orion' P3B aircraft destroyed in the U.S.A. in 1968. No similar receipt is expected in 1972-73.

*Supply*

*Other.* The estimated decline of \$3,543,000 in other revenue is attributable mainly to an expected reduction in the proceeds of disposals sales in 1972-73.

*Territories*

*Northern Territory.* It is estimated that revenue from the Northern Territory will increase by \$3,320,000 in 1972-73, including increases of \$1,065,000 from electricity supply, \$1,098,000 from health services and \$612,000 from miscellaneous items.

RECEIPTS OF NATIONAL DEBT SINKING FUND

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

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
<b>Commonwealth—</b>				
Contribution and special payment from Consolidated Revenue Fund .. ..	21,061	17,812	21,939	+ 4,127
Interest on investments(a) .. ..	2,753	1,359	1,402	+ 43
Repayments of Loan Fund advances for housing .. ..	15,182	16,131	16,759	+ 628
Other repayments(b) .. ..	1,980	2,066	2,158	+ 92
	40,976	37,369	42,258	+ 4,889
<b>States—</b>				
Contributions by Commonwealth .. ..	24,550	26,323	27,312	+ 989
Contributions by States .. ..	90,447	96,818	103,578	+ 6,760
Interest on investments .. ..	70	140	100	- 40
<b>Total Receipts(a)(b) .. ..</b>	<b>156,043</b>	<b>160,649</b>	<b>173,248</b>	<b>+12,600</b>

(a) Excludes profits or losses from realization of investments. In 1970-71, profits from realization of investments amounted to \$215,000 while in 1972-73 losses are estimated to amount to \$334,000. There was no sale of securities in 1971-72. (b) Excludes repayments of advances from the Australian Wheat Board.

*Commonwealth*

*Contribution from Consolidated Revenue and Interest on Investment.* The National Debt Sinking Fund Act 1966-67 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 as at the previous 30 June. The amount payable from revenue 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 increased by \$96,521,000 during 1971-72 and the gross percentage contribution is therefore estimated to increase by \$3,861,000 in 1972-73. After allowing for a loss on the realization of maturing securities of \$334,000, the reduction in investment income is estimated to be \$291,000 and the estimated net increase in the contribution from Consolidated Revenue is \$4,152,000 for 1972-73. In 1971-72, \$25,000 was paid into the Sinking Fund under the provisions of Section 11 of the Act.

*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 \$628,000 greater in 1972-73. Repayments will increase until the maturity of the loans, because of the credit foncier basis applied to the combined repayment of principal and interest.

*Receipts in Respect of State Debt*

*Contributions by Commonwealth and States.* In accordance with the Sinking Fund requirements of the Financial Agreement concerning State debt, contributions from revenue by the Commonwealth and States on State debt are estimated to increase by \$7,749,000 in 1972-73.

**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 1972-73 is estimated to be \$12,351,000 less than the increase in 1971-72, due largely to a turnaround of \$7,011,000 in the net movements in the balances of Army and Supply Trust Accounts and a fall of \$1,188,000 in interest on investments held in the Loan Consolidation and Investment Reserve.



## STATEMENT No. 6—BUDGET RESULT, 1971-72

## SUMMARY

The budget estimates and outcome for 1971-72, in conventional terms, are summarised in the following table.

	1971-72 Budget Estimate	1971-72 Actual	Change on Budget Estimate	
			\$ million	Per cent
Expenditures .. .. .	8,833	9,032	+ 199	+ 2.3
Receipts .. .. .	8,822	8,845	+ 23	+ 0.3
Deficit (-) .. .. .	- 11	- 187	- 176	..

The overall budget result was a deficit of \$187 million, compared with the original budget estimate of a deficit of \$11 million.

The outcome of the 1971-72 budget was affected to a significant degree by the policy measures adopted by the Government during the year to meet developing economic trends. New policy measures introduced since the budget was tabled in August 1971 are estimated to have added approximately \$140 million to Commonwealth expenditures and to have reduced revenues by about \$12 million.

The measures introduced included increased rates of nursing home benefits, increases in the State works and housing programmes, additional revenue grants to the States, additional payments to the States for education purposes and grants to the States for relief of unemployment in non-metropolitan areas.

In February 1972, the monthly rate of expenditure on non-metropolitan unemployment relief grants, which had been introduced in December 1971, was doubled, additional revenue grants and increased grants and advances for the State works and housing programmes were made available, unemployment benefit rates were increased, and the investment allowance on manufacturing plant and equipment was restored. This latter measure did not, of course, affect revenues during 1971-72. In April, age, invalid, widows and certain war and service pension rates were increased and the levy on personal income tax was reduced from 5 per cent to 2½ per cent, applying effectively for the last quarter of the year.

EXPENDITURES

The budget estimates for 1971-72 are compared with actual expenditures for that year in the following table:

	1971-72 Budget Estimate(a)	1971-72 Actual	Change on Budget Estimate	
	\$ million	\$ million	\$ million	Per cent
Defence Services(b) .. .. .	1,252	1,217	- 35	- 2.8
Payments to or for the States and Works and Housing Programmes .. .. .	2,931	3,055	+ 124	+ 4.2
National Welfare Fund .. .. .	1,694	1,752	+ 58	+ 3.4
Repatriation Services .. .. .	354	352	- 2	- 0.6
Debt Charges .. .. .	102	93	- 9	- 8.7
Departmental Running Expenses .. .. .	627	641	+ 13	+ 2.1
Territories (excluding Papua New Guinea) .. .. .	114	118	+ 4	+ 3.4
External Economic Aid (including Papua New Guinea) .. .. .	172	184	+ 12	+ 6.5
Commonwealth Payments to Industry .. .. .	371	402	+ 31	+ 8.3
Other Expenditures .. .. .	456	461	+ 5	+ 1.2
Advances for Capital Purposes .. .. .	495	493	- 3	- 0.6
Other Capital Works and Services .. .. .	264	264	+ 1	+ 0.2
<b>Total Expenditures .. .. .</b>	<b>8,833</b>	<b>9,032</b>	<b>+ 199</b>	<b>+ 2.3</b>

(a) Some of the figures shown differ from the budget estimates published previously because of minor accounting changes.  
 (b) The budget estimate for 1971-72 included \$63 million for payments to be financed under credit arrangements with the United States of America; the actual amount financed from this source was \$44 million.

The main variations from the budget estimates, including the new policy measures mentioned earlier, were as follows:

*Defence Services*

Total expenditure on defence services was \$35 million less than the budget estimate. Service pay and civil salaries were \$7 million more than the budget estimate largely due to the implementation of the Kerr Committee recommendations on pay for service officers and because of civil salary and wage determinations made after the budget. Against this there were shortfalls in other areas of expenditure. Actual expenditure on purchase and manufacture of aircraft for the RAN and RAAF fell short of the budget estimate by \$15 million due mainly to re-phasing of payments on the F111C aircraft, medium-lift and utility helicopters and to deferment in ordering certain equipment for the RAN HS748 aircraft. Mainly due to lags in deliveries of certain items and non-receipt of bills, expenditure on stores and equipment for the RAN and RAAF was \$13 million less than the estimate. Because of the deferment of some projects and lower expenditure than was expected following withdrawal from Vietnam, expenditure on arms, armament and equipment for the Army was \$8 million less than the budget estimate. Expenditure on naval construction was \$4 million less due to delays encountered on certain projects.

*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 \$124 million greater than the budget estimate. New policy measures were the major factor contributing to this increase. General revenue payments were \$70 million greater than the budget estimate and included additional assistance of \$32.5 million as a result of decisions announced at the February 1972 Premiers' Conference. Of this latter amount, \$17.5 million was in the form of a special advance to New South Wales. In addition, because average wages increased more rapidly than had been anticipated, the operation of the formula under which the financial assistance grants are determined resulted in an increase of \$28 million in these grants over

the budget estimate. Special grants exceeded the budget estimate by \$9 million following the Government's adoption of the Commonwealth Grants Commission's recommendation in March 1972 on Queensland's application for a special grant.

Specific purpose payments of a revenue nature were a net \$31 million greater than the budget estimate, mainly as a result of the introduction of the non-metropolitan unemployment relief grants in December 1971. These grants amounted to \$27 million in 1971-72. Payments to independent schools were \$5 million more than the budget estimate because of the decision announced in December 1971 to increase per capita grants to these schools.

Specific purpose payments of a capital nature were a net \$9 million less than the budget estimate. Short-falls in capital payments for education purposes included \$3 million for colleges of advanced education, \$2 million for teachers colleges and \$2 million for technical training. An offset to these, introduced in December 1971, was \$7 million capital grants to government schools. Other shortfalls from the budget estimates occurred in the fields of softwood forestry and railway projects. These were \$4 million and \$3 million respectively below the budget provisions. In addition, although \$2 million was provided in the budget for the Gladstone Power Station, no payments were made because of delays in meeting the provisions of the agreement relating to sales of electric power.

Payments to the States for works and housing programmes were \$32 million greater than estimated in the budget as a result of increased programmes agreed at the Australian Loan Council meeting in February 1972.

#### *National Welfare Fund*

Payments to the National Welfare Fund exceeded the budget estimate by \$58 million. Expenditures on age, invalid and widows pensions were \$9 million greater largely because of the increases in pension rates and the restoration, in April 1972, of the normal operation of the tapered means test. Payments of unemployment and sickness benefits were \$18 million more than estimated because of the increased rates of benefit announced in February 1972 and a larger than anticipated increase in the number of benefit recipients. Child endowment payments fell short of the budget provision by \$2 million.

Expenditures on national health services were \$31 million greater than estimated. The largest increase was in payments of nursing home benefits which exceeded the budget estimate by \$19 million; this was attributable to increases in rates of benefits in October 1971. Expenditure on medical benefits exceeded the budget estimate by \$9 million and pharmaceutical benefits, including benefits to pensioners, were \$5 million greater than estimated. The latter arose from a greater than anticipated increase in the utilization of drugs covered by the scheme and increased average costs of drugs prescribed.

#### *Repatriation Services*

In total, expenditure on repatriation services was close to the budget estimate. Expenditure on repatriation institutions was \$2 million greater than estimated largely because of increased costs arising from wage determinations for staff employed by these institutions. Pensions and allowances paid to ex-servicemen and their dependants were \$3 million less than estimated because there were fewer recipients of these payments than had been assumed. Expenditure on other benefits was \$1 million less than anticipated.

#### *Debt Charges*

Debt charges were \$9 million less than estimated. Lower discount rates on Treasury Notes issued during the year contributed to the reduction.

#### *Departmental Running Expenses*

Departmental running expenses were \$13 million greater than the budget estimate. Wage and salary payments were \$10 million more than estimated principally because of arbitration and other determinations brought down after the budget was presented.

*Territories (excluding Papua New Guinea)*

Expenditure in the Territories was \$4 million more than the budget estimate. Expenditures in the Northern Territory and the Australian Capital Territory were each \$2 million more due mainly to increased wage and salary costs.

*External Economic Aid (including Papua New Guinea)*

Expenditure on external economic aid was \$12 million greater than the budget provision. Payments to the International Development Association were \$4 million above the estimate reflecting greater calls on Australia in 1971-72 by the Association than were expected when the budget was presented. Emergency relief for Pakistani refugees and rehabilitation and relief payments to Bangladesh amounted to \$3 million more than was provided in the budget. Payments in respect of allowances and other benefits for overseas officers of the Papua New Guinea public service were \$2 million greater as a consequence of wage increases awarded in Australia and drawings on the Arawa loan by the Papua New Guinea Administration were \$2 million more than estimated. Special aid to Indonesia and payments to the Indus Waters Scheme were each \$1 million greater than the respective budget provisions.

*Commonwealth Payments to Industry*

In total these payments were \$31 million greater than the budget estimate. Wheat stabilization payments exceeded the estimate by \$31 million largely because stabilization payments were made in respect of both the 1969-70 and 1970-71 wheat pools. It was originally thought that the 1970-71 pool would not be finalized during 1971-72 and hence no provision for it was included in the budget estimates. Bounty payments on phosphate fertilizers exceeded the budget estimate by \$8 million because of the improvement in rural conditions which led to a greater than expected use of phosphate fertilizers. Export incentive rebates were \$6 million above the budget estimate because of a greater than expected increase in exports eligible under the scheme. Deficiency payments for wool were \$7 million less than the estimate, reflecting the improvement in wool prices in the latter half of 1971-72. The amount of \$4 million provided in the budget for advances to the Australian Wool Commission against possible loss on its trading operations in 1971-72 was not required. Expenditure on marginal dairy farm reconstruction was \$4 million less than estimated.

*Other Expenditures*

Other expenditures were \$5 million more than the budget estimate but this was the outcome of a number of offsetting changes. The larger variations included an increase of \$6 million in net Commonwealth superannuation payments which resulted from higher entitlements for new superannuitants arising from increased salaries, and from a larger than estimated number of pensioners and higher rates of pension. Increased university fees were largely responsible for expenditure on Commonwealth scholarships exceeding the budget estimate by \$2 million. Expenditure on broadcasting and television services was also \$2 million above the budget estimate. Expenditure on the assisted migrants' passage scheme was \$4 million less than estimated, reflecting the reduced number of assisted immigrants.

*Advances for Capital Purposes*

In total, advances for capital purposes differed only slightly from the budget estimate, being less by a net \$3 million, but there were variations in several of the components. The Post Office received an extra \$15 million to help sustain its capital programme and because of a shortfall in expected revenue. Advances to Qantas were \$12 million less than anticipated because their programme of aircraft purchases was not completed. As provided in the budget an advance of \$10 million was paid to the Australian Wool Commission, but following an increase in demand, sales of wool enabled the Commission to repay the advance. Advances for War Service Homes exceeded the budget estimate by \$5 million.

*Other Capital Works and Services*

Expenditure on other capital works and services was very close to the budget estimate. Outlay on buildings and works for the Department of Civil Aviation was \$1 million greater than estimated because of accelerated progress on the Melbourne (Tullamarine) Airport runway extensions and the settlement of claims for the Sydney (Kingsford-Smith) Airport runway extensions. Expenditure on works for the Department of Health in the Northern Territory exceeded the budget provision by \$1 million, due mainly to accelerated progress on the Nhulunbuy hospital. The increase of \$1 million in the National Capital Development Commission's vote resulted from the re-assessment of the Commission's requirement for 1971-72 in the light of increased contract payments due to rises in wages and prices. Progress on the Port Augusta-Whyalla railway was not as rapid as expected and there was a shortfall of \$2 million in the estimated expenditure on that project.

## RECEIPTS

The budget estimates for 1971-72 are compared with actual receipts in the following table:

	1971-72	1971-72	Change on	
	Budget Estimate	Actual	Budget Estimate	
	\$ million	\$ million	\$ million	Per cent
<b>Taxation Revenue—</b>				
Customs Duty .. .. .	533	468	- 65	- 12.2
Excise Duty .. .. .	1,182	1,212	+ 30	+ 2.5
Sales Tax .. .. .	695	683	- 12	- 1.8
<b>Income Tax—</b>				
<b>Individuals—</b>				
Gross P.A.Y.E. .. .. .	3,494	3,492	- 2	..
Less Refunds .. .. .	635	604	- 31	- 5.0
Net P.A.Y.E. .. .. .	2,859	2,889	+ 30	+ 1.0
Other .. .. .	804	880	+ 76	+ 9.5
Companies .. .. .	1,514	1,477	- 37	- 2.4
<b>Withholding Tax—</b>				
Dividends .. .. .	43	42	- 1	- 2.3
Interest .. .. .	9	16	+ 7	+ 73.9
Pay-roll Tax .. .. .	96	99	+ 3	+ 3.2
Estate Duty .. .. .	78	67	- 11	- 13.8
Gift Duty .. .. .	8	9	+ 1	+ 6.6
Stamp duty (A.C.T. and N.T.) .. .. .	3	3	..	+ 13.7
<b>Total Taxation Revenue .. .. .</b>	<b>7,824</b>	<b>7,844</b>	<b>+ 20</b>	<b>+ 0.3</b>
Other Revenue .. .. .	742	740	- 2	- 0.3
National Debt Sinking Fund .. .. .	161	161	..	..
Net increase in other balances of the Commonwealth in the Trust Fund .. .. .	96	101	+ 6	+ 6.0
<b>Total Receipts .. .. .</b>	<b>8,822</b>	<b>8,845</b>	<b>+ 23</b>	<b>+ 0.3</b>

The main variations from the budget estimates were:

*Customs Duty*

Collections of customs duty fell short of the budget estimate by \$65 million because dutiable imports in 1971-72 were substantially less than had been assumed at the time of the budget.

*Excise Duty*

Excise duty collections were \$30 million more than estimated mainly because clearances of motor spirit and tobacco products were greater than assumed.

*Sales Tax*

Sales tax collections were \$12 million less than estimated. This shortfall related mainly to lower than anticipated sales of motor vehicles. Sales of other goods in the 15 per cent and 27½ per cent rate classes were also not as great as originally estimated.

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

Gross collections of P.A.Y.E. instalment deductions were only \$2 million short of the budget estimate but there were offsetting variations from the assumed changes in average earnings and average employment. In addition, the reduction in the rates of tax instalment deductions which operated from April 1972 had the effect of reducing P.A.Y.E. collections in May and June 1972. P.A.Y.E. refunds, however, were \$31 million less than the budget estimate with the result that the net P.A.Y.E. revenue exceeded the estimate by \$30 million.

*Income Tax—Individuals—Collections on Assessments*

Collections on assessments of income tax on individuals exceeded the budget estimate by \$76 million because business incomes in 1970–71 (assessed to tax in 1971–72) were larger than estimated and collection rates were greater than had been assumed at the time of the budget. In addition, collections on assessments of prior years were greater than had been estimated.

*Income Tax—Companies*

Company income tax collections fell short of the estimate by \$37 million because company incomes in 1970–71 (assessed to tax in 1971–72) were less than estimated.

*Estate Duty*

Collections of estate duty were \$11 million less than estimated because the average value of assessments was lower than expected.

*Other Revenue*

There were some significant but largely offsetting variations in the components of other revenue, resulting in a relatively small net shortfall of \$2 million from the budget estimate. Receipts from the defence departments were, in total, \$7 million greater than estimated mainly because of higher than expected returns from disposals of stores and also because an amount of about \$2 million was received in compensation for an 'Orion' aircraft destroyed in the United States of America in 1968.

Repayments of interest and principal on War Service Homes advances, net of refunds under S.39A(2) of the Act, were \$5 million more than estimated because of a higher than anticipated rate of repayment.

Miscellaneous revenue from the Australian Capital Territory and receipts of interest and principal repayments under the war service land settlement scheme were each \$2 million greater than the budget estimate.

Consolidated Revenue Fund receipts from Reserve Bank profits in 1971–72 fell short of the budget estimate by \$17 million, reflecting certain consequences of changes in international currency values during the year.

Net receipts from Commonwealth Railways were \$4 million less than estimated because operating costs were higher and revenue was less than expected.

## FINANCING TRANSACTIONS

The following table is a summary of financing transactions in 1971-72:

					\$ million
Overseas—					
Net drawings under credit arrangements—					
Defence purchases in the United States of America	..	..	..	..	- 16
Qantas and Australian National Airlines Commission	..	..	..	..	52
Net proceeds of other overseas borrowing	..	..	..	..	- 83
					- 47
Australia—					
Net proceeds of loan raisings in Australia(a)	..	..	..	..	720
Net change in Treasury Notes on issue(b) ..	..	..	..	..	- 10
Net repayment by Australian Wheat Board	..	..	..	..	53
					764
Other financing transactions (net)(c)	..	..	..	..	38
Residual financing—					
Use of cash balances(d)	..	..	..	..	- 567
					- 567
<b>Total Financing Transactions</b>	..	..	..	..	<b>187</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.

Details of the 1971-72 financing transactions are given below:

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

The Loan (Defence) Acts of 1966, 1968, 1970 and 1971 authorised the Commonwealth to finance defence equipment purchases in the United States of America on extended payment terms. In 1971-72 drawings under these arrangements totalled \$46 million. Repayments of previous drawings amounted to \$63 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 \$74 million and \$10 million respectively, exceeding repayments of previous drawings by \$50 million in the case of Qantas Airways Limited and \$1 million in the case of the Australian National Airlines Commission.

*Net Proceeds of Other Overseas Borrowing*

Redemptions and other expenditure on the reduction of debt overseas totalled \$109 million and exceeded the proceeds of \$26 million from a West German loan. Two maturities in London were redeemed at a cost of \$53 million and a maturity in New York was redeemed at a cost of \$8 million. Securities to the value of \$29 million were repurchased in New York, London and Canada. Repayments of \$19 million were made on borrowings from the International Bank for Reconstruction and Development, the U.S. Export-Import Bank and the Netherlands.

*Net Proceeds of Loan Raisings in Australia*

Four Commonwealth public cash loans were raised in Australia in 1971-72. After excluding loan proceeds from advance subscriptions received before 30 June 1971 but including receipts from outstanding instalments and advance subscriptions received up to 30 June 1972, the proceeds from these cash loans totalled \$754 million. Cash proceeds from the sale of Special Bonds during the year totalled \$139 million. Proceeds of \$24 million from State domestic loan raisings brought total cash proceeds from loans raised in Australia to \$917 million.

Of the \$890 million of securities (other than Special Bonds) maturing in Australia which were offered for conversion in 1971-72, an amount of \$89 million was redeemed. Redemptions of Special Bonds of all series amounted to \$92 million. Other redemptions, market repurchases and contractual repayments in Australia amounted to \$15 million. Total redemptions and repurchases in Australia were, therefore, \$197 million, so that net proceeds of loans raised in Australia in 1971-72 were \$720 million.

*Net Change in Treasury Notes on Issue*

As at 30 June 1972 Treasury Notes on issue amounted to \$260 million, a net decline of \$10 million on the amount on issue at 30 June 1971. The Treasury Notes on issue at 30 June 1971 included \$119 million to provide finance to the Australian Wheat Board compared with an amount of \$65 million on issue at 30 June 1972 for this purpose. Treasury Notes on issue, other than for Wheat Board financing, therefore increased by \$43 million.

*Net Repayment by the Australian Wheat Board*

An advance of \$86 million to the Wheat Board in April 1972 to enable repayment to the Rural Credits Department of the Reserve Bank of the balance of the 1970-71 pool borrowings was financed by the issue of Treasury Notes to the Reserve Bank. Repayments received by the Commonwealth from the Wheat Board during 1971-72, amounting to \$139 million, were applied to the redemption of Treasury Notes.

*Other Financing Transactions*

An amount of \$38 million was available from these transactions. The largest item was an amount of \$24 million relating to Post Office superannuation. The amount available from coinage transactions, \$11 million, related partly to the sale overseas of silver recovered from coin withdrawn from circulation.

*Residual Financing*

Largely because of the record net amount available from loan raisings in Australia, the proceeds of the financing transactions mentioned above exceeded the deficit by \$567 million. Accordingly, Commonwealth cash balances increased by \$567 million.



**STATEMENT No. 7—COMMONWEALTH BUDGET TRANSACTIONS  
SINCE 1962-63**

The tables shown later in this Statement set out Commonwealth budget receipts and expenditure in both 'conventional' and national accounts form. Comparisons of budget revenues and expenditures between 1971-72 and 1972-73 and between 1971-72 and previous years are affected by the transfer of pay-roll tax to the States as from 1 September 1971. Details of the arrangements relating to the transfer of pay-roll tax are set out in the document 'Commonwealth Payments to or for the States 1972-73' presented concurrently with the budget. Although the full effects of the pay-roll tax transfer are not readily eliminated from the series, estimates of the impact of the transfer on Commonwealth revenues and expenditures in 1971-72 and 1972-73 have been made and are presented later in this Statement. For the years prior to 1971-72, the figures on Commonwealth budget transactions are broadly consistent, subject to the qualifications outlined in the notes to the tables.

Tables 1 and 2 on pages 116 and 117 show Commonwealth expenditures, receipts and financing transactions in 'conventional' form for each year since 1962-63. 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 118 and 119 shows figures in national accounts form for each year since 1962-63. 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 presented in the White Paper on National Income and Expenditure.

The Commonwealth contributes to the growth of public sector outlays both directly through its budget expenditures and indirectly through the operations of its instrumentalities in the non-budget sector. The following table shows details of the average annual rates of growth of the main components of *Commonwealth budget outlays*, for the period 1962-63 to 1971-72, compared with the average annual rate of growth in gross national expenditure over the same period.

—	Average Annual Rate of Increase 1962-63 to 1971-72
	(per cent per annum)
Commonwealth Budget Outlays—	
Net expenditure on goods and services ..	12.7
Transfer payments .. .. .	10.7
Net advances .. .. .	5.0
Total outlay .. .. .	10.3
Gross National Expenditure .. .. .	9.2

These figures show the somewhat faster growth rate of total budget outlays relative to that of gross national expenditure. The transfer of pay-roll tax to the States and the associated reduction in financial assistance grants paid by the Commonwealth has, moreover, had the effect of reducing the average annual growth rates of transfer payments and hence total Commonwealth budget outlays. It is estimated that in the absence of the transfer, total Commonwealth budget outlays would have grown at an annual average rate of 10.7 per cent, whilst the average annual growth rate of transfer payments would have been 11.2 per cent.

Net expenditure on goods and services has clearly been the fastest growing component of total outlay, averaging an annual rate of increase over the decade to 1971-72 of 12.7 per cent. This is indicative of a significant increase in the Commonwealth's direct call on resources over the period, and reflects, in turn, the increasing demands made by the community on the Government.

It is to be noted in this connexion, however, that a large part of Commonwealth outlay is in the form of transfer payments, such as payments of pensions, subsidies and interest and grants and net advances to other sectors of the economy. In 1971-72, such payments amounted to almost three-quarters of the total Commonwealth outlays. This is an important distinction, since the effect on the economy of these transfers and advances naturally depends on the reactions of the recipients.

Growth in the relative size of the public sector as a whole (that is, Commonwealth, State and local government) cannot, of course, be assessed by reference to Commonwealth budget outlay figures alone. Estimates of total public sector outlay as a proportion of gross national expenditure, together with figures for the proportion of gross national expenditure represented by total public sector expenditures on goods and services, are set out in the following table. There is a minor break in the series in 1967-68 arising from the inclusion of expenditures relating to a number of small semi-government authorities. This change tends to inflate slightly the proportions shown for the years following 1967-68.

Year	Public Sector Total Outlays as Percentage of G.N.E.	Public Sector Expenditure on Goods and Services as Percentage of G.N.E.
1962-63 .. .. .	29.3	18.8
1963-64 .. .. .	30.0	19.4
1964-65 .. .. .	29.4	19.5
1965-66 .. .. .	31.3	20.9
1966-67 .. .. .	31.7	21.4
1967-68 .. .. .	32.2	22.0
1967-68 .. .. .	32.3	22.1
1968-69 .. .. .	31.5	21.6
1969-70 .. .. .	31.5	21.4
1970-71 .. .. .	32.0	21.8
1971-72 (preliminary) ..	(33.2)	(22.5)

Total public sector outlays as a percentage of gross national expenditure grew from 29.3 per cent in 1962-63 to 33.2 per cent in 1971-72. The major lift in public sector outlays relative to gross national expenditure occurred in the period 1965-66 to 1967-68 reflecting, among other things, expenditures on major defence re-equipment programmes. Since that time, the share of total public sector outlays has remained relatively stable, with the increase in 1971-72 affected in part by the slowdown in private sector expenditures.

Similarly, the *direct* demands placed on resources by the public sector have grown unevenly over the period. After the relatively strong growth from 18.8 per cent in 1962-63 to 22.0 per cent in 1967-68, public sector expenditure on goods and services as a proportion of gross national expenditure has remained relatively stable—fluctuating between 21.4 per cent and 22.5 per cent.

The apparent stability in the relative share of public sector expenditures in gross national expenditure over recent years, however, masks somewhat divergent movements in the major components of public sector expenditures. *Current* expenditure on goods and services, for example, has steadily increased its relative share in gross national expenditure from 10.1 per cent in 1962-63 to 13.5 per cent in 1971-72. By way of contrast, public *capital* expenditures as a proportion of gross national expenditure rose from 8.7 per cent in 1962-63 to

reach a peak of 9.7 per cent in 1965-66, but have since declined as a proportion of gross national expenditure to account for 9.0 per cent in 1971-72.

Over the decade to 1971-72, increasing priority has been given to both current and capital expenditures for the provision of basic community services such as education, public health and welfare and communications. In 1971-72, education accounted for 26.2 per cent of total public sector current expenditures on goods and services, and public health and welfare 14.2 per cent, whilst almost one half of total capital expenditures in 1971-72 was directed to the provision of transport and communication facilities. In the mid 1960s the proportion of total public authority current expenditures devoted to defence increased substantially; however, the rate of growth in these expenditures slowed in the latter part of the decade as major re-equipment programmes were completed.

The allocation of funds to the various social objectives of education, health, and the provision of public utilities may also be examined in terms of the so-called 'conventional' budget classification. Although provision for these objectives is in large part the responsibility of the States, the Commonwealth provides a significant part of the financial resources enabling such provision to be made by the States. The allocation to the States of funds which are spent mainly in areas of prime State responsibility such as the provision of education and health services, the construction and maintenance of roads, and the provision of housing, water supply and sewerage facilities, can be seen by reference to the following table which is in the conventional budget classification. As the following table shows, \$1,673 million or almost one third of the total increase of \$5,301 million in Commonwealth expenditures over the decade to 1971-72 is attributable to payments to or for the States and works and housing programmes. Some of these funds are provided for specific purposes, but the allocation of the larger part of them rests with the States.

	Increase 1962-63 to 1971-72		
	\$ million	Percentage of total increase	Average annual rate of increase per cent per annum
Payments to or for the States and works and housing programmes .. .. .	1,673	31.6	9.3
National Welfare Fund .. .. .	994	18.8	9.8
Defence Services .. .. .	787	14.8	12.3
Departmental Running Expenses .. .. .	462	8.7	15.3
Payments to Industry .. .. .	329	6.2	20.9
Repatriation Services .. .. .	149	2.8	6.3
External Economic Aid (including Papua New Guinea)	119	2.2	12.2
Territories (excluding Papua New Guinea) .. .. .	88	1.7	16.8
All Other .. .. .	701	13.2	8.9
<b>Total Expenditures .. .. .</b>	<b>5,301</b>	<b>100.0</b>	<b>10.4</b>

The main *absolute* growth in expenditures after payments to or for the States has been in respect of the provision of social service benefits, provided via the National Welfare Fund. Almost one fifth of the total increase in Commonwealth expenditure between 1962-63 and 1971-72 has related to this item. The provision of new and increased social service benefits, including the introduction of the tapered means test, and the extension of existing schemes have all contributed to the growth in National Welfare Fund payments over the period.

Expenditure on defence services accounted for a further 14.8 per cent of the total increase in Commonwealth expenditures over the decade to 1971-72. The major re-equipment

programmes of the mid 1960s account for a significant portion of the growth of defence expenditures.

In terms of growth rates, the top-ranking expenditures for the decade were Commonwealth payments to industry (20.9 per cent per annum); expenditure on Commonwealth Territories (16.8 per cent per annum) and departmental running expenses (15.3 per cent per annum). At the lower end of the scale, expenditures on repatriation services have, despite substantial increases in benefit rates, grown at an average rate of only 6.3 per cent per annum, mainly because there has been only a slow increase in the number of beneficiaries.

The growing range of support provided to rural industry has been the main factor accounting for the above average increase of 20.9 per cent per annum in direct Commonwealth payments to industry. The increase of \$88 million—an average of 16.8 per cent per annum—in expenditure on Commonwealth Territories largely reflects the cost of servicing the rapid growth of Canberra and Darwin.

Over the decade to 1971-72 total Commonwealth employment is estimated to have grown at more than double the rate for total civilian employment. This rate of increase in government employment, associated with a rapid growth in wages and salaries, particularly during the latter half of the decade, is reflected in the average annual growth rate of 15.3 per cent in departmental running expenses.

On the receipts side, Commonwealth budget receipts in national accounts terms have increased at an annual average rate of 11.5 per cent—rising from 20.5 per cent of gross national expenditure in 1962-63 to 24.8 per cent in 1971-72.

The following table shows the composition of the increase in Commonwealth budget receipts, in national accounts terms, over the period 1962-63 to 1971-72, together with the average annual rates of growth for the individual revenue headings.

	Increase 1962-63 to 1971-72		
	\$ million	Percentage of total increase	Average annual rate of increase per cent per annum
<b>Receipts—</b>			
<b>Taxation—</b>			
Indirect Taxes .. .. .	1,298	23.4	8.4
Income taxes on companies .. .. .	997	17.9	12.4
Income taxes on persons—			
P.A.Y.E. .. .. .	2,205	39.7	17.4
Other .. .. .	477	8.6	9.2
Estate and Gift Duties .. .. .	34	0.6	6.9
Other direct taxes, fees, fines, etc. .. .. .	33	0.6	9.6
<b>Total Taxation .. .. .</b>	<b>5,044</b>	<b>90.8</b>	<b>11.9</b>
Other Receipts .. .. .	513	9.2	9.0
<b>Total Receipts .. .. .</b>	<b>5,558</b>	<b>100.0</b>	<b>11.5</b>

In absolute terms, the increase in income tax collections from individuals outranked all other sources of revenue, accounting for about 48 per cent of the increase in total receipts over the decade to 1971-72. By far the larger part of the increase was in respect of net pay-as-you-earn income tax from wage and salary earners, reflecting the operation of the

progressive rate scale in a period of strong growth in wage and salary incomes. The average annual rate of growth in net receipts from this source was no less than 17.4 per cent compared with an average annual growth rate for total receipts of 11.5 per cent.

Revenue from company income taxes also increased more rapidly than total receipts, having an average annual rate of growth of 12.4 per cent over the period and accounting for 17.9 per cent of the total increase in receipts.

By way of contrast, indirect tax revenues increased at an average annual rate of 8.4 per cent over the decade and accounted for 23.4 per cent of the total increase in revenues. To some extent the relatively slow growth in revenues from this source is the result of the transfer of pay-roll tax to the States as from 1 September 1971. However, after adjustment to remove the effects of this change, indirect tax revenues still show an average rate of growth over the decade which is significantly lower than the rate of growth of total receipts. This arises largely because expenditures on taxable items have increased less rapidly than incomes and because many products are subject to specific rates which have been changed only at irregular intervals.

Over the decade to 1971-72, the Commonwealth has consistently incurred a deficit on its budgetary transactions. The size of the deficit, however, has fluctuated from year to year, reaching a peak of \$642 million in 1967-68 and a low of \$7 million in 1969-70.

Any economic assessment of these budget results would, of course, have to take into account the composition of domestic receipts and expenditures in each year because of the differing economic impact of particular types of expenditure and receipts, the proportion of expenditures made overseas, and the level of activity in the economy at the time.

The main financing transactions undertaken to meet the deficits in the Commonwealth budget over the period have been domestic and overseas loan raisings, the issue of Treasury Notes and temporary borrowings from the Reserve Bank. Net loan proceeds from overseas reached a peak of \$142 million in 1968-69, in spite of a large reduction in the net amounts available from drawings against defence credits and aircraft loans. In subsequent years, however, redemptions and repayments of debt overseas have exceeded gross loan proceeds. Net proceeds from loan raisings in Australia and Treasury Notes reached a peak of \$711 million in 1971-72—the previous maximum during the period was an amount of \$506 million in 1962-63.

#### 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 1 September 1971 and that the States would levy their own pay-roll taxes as from the same date. This decision resulted in a reduction in Commonwealth pay-roll tax revenues estimated at \$253 million in 1971-72. To offset most of this loss in revenue to the Commonwealth, financial assistance grants paid to the States in 1971-72 were reduced. The full year effect of these transfer arrangements is reflected in the estimates for 1972-73. Details of the arrangements concerning the transfer of pay-roll tax to the States are given in the document 'Commonwealth Payments to or for the States 1972-73' presented with the budget.

To assist meaningful comparisons of receipts and expenditures in 1971-72 and 1972-73 with those in previous years, the following table shows the estimated percentage increases in Commonwealth receipts and expenditures in each year approximately adjusted to account for the pay-roll tax transfer.

			Increases on Previous Year			
			1971-72		1972-73	
			Actual	Approximately Adjusted for Pay-roll Tax Transfer	Estimate	Approximately Adjusted for Pay-roll Tax Transfer
			Per cent	Per cent	Per cent	Per cent
Expenditures	..	..	11.4	14.6	11.6	12.6
Receipts	..	..	10.2	13.3	6.8	8.0

Numerous changes have been made in the accounting arrangements of the Commonwealth Government since 1962-63. 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) as outlined above the figures for 1971-72 and 1972-73 are not directly comparable with other years because of the effects of the transfer of pay-roll tax to the States, which became effective on 1 September 1971;
- (b) 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;
- (c) 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;
- (d) the figures for the years 1966-67 and 1967-68 have been adjusted to remove the effects of accounting changes made in 1968-69. It has not been possible, however, to adjust the figures for earlier years. The effect of these changes on the 1966-67 figures is to increase both expenditures and receipts by \$12,904,000.

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

#### EXPENDITURES AND RECEIPTS

The figures for expenditures in Table 1 exclude redemptions of debt of the Commonwealth and some transfers made to trust accounts such as transfers made to the Loan Consolidation and Investment Reserve. As a number of changes have been made over the period 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 1962-63 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';
- (d) as a result of the transfer of pay-roll tax to the States, export incentives which were previously in the form of rebates of pay-roll tax, are now provided directly by way of export incentive grants. The accounts have been adjusted back to 1962-63 so that export incentives are no longer shown as an offset to pay-roll taxation receipts but rather as 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.

#### 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 1971-72 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 Australian 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.

#### 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, etc.* 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, 1962-63 TO 1971-72 AND 1972-73 (ESTIMATE)

	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Estimated (c)
<b>Expenditures—</b>											
Defence Services (f)	430,391	519,036	606,480	745,598	955,900	1,113,334	1,162,162	1,100,618	1,134,983	1,217,075	1,323,000
Payments to or for the States and Works and Housing Programmes (g)	1,381,720	1,463,407	1,538,150	1,720,595	1,861,780	2,030,524	2,167,224	2,416,615	2,843,321	3,054,660	3,449,457
Payment to National Welfare Fund	758,589	832,696	890,366	941,574	1,031,117	1,075,049	1,162,350	1,341,799	1,477,330	1,752,192	2,077,962
Reparation Services	203,893	228,399	228,213	232,671	249,528	259,052	283,356	314,401	314,401	352,441	388,326
Debt Charges	138,568	137,906	143,048	142,406	96,364	106,134	111,519	108,767	107,786	92,813	102,085
Departmental Running Expenses	178,534	209,907	232,299	237,677	321,792	360,995	401,192	468,604	543,829	640,786	703,078
Territories	29,220	34,092	39,543	44,381	57,478	61,390	73,286	83,972	99,753	117,376	141,286
External Economic Aid	65,448	75,389	85,643	96,072	111,205	126,327	137,651	153,308	163,069	184,072	204,531
Commonwealth Payments to Industry (f)	12,606	102,396	91,054	129,384	169,259	186,327	240,884	316,677	402,134	491,446	565,143
Other Expenditures	145,945	173,018	230,065	282,729	326,095	350,299	367,224	414,716	448,492	491,446	535,165
Advances for Capital Purposes (g)	237,731	247,809	281,221	296,032	306,939	368,182	323,956	363,273	448,492	491,446	535,165
Other Capital Works and Services	92,462	102,052	118,443	126,869	146,738	171,861	191,310	194,686	241,006	264,273	322,066
Total Expenditures	3,731,166	4,122,306	4,495,226	5,022,281	5,590,500	6,173,088	6,597,990	7,121,445	8,105,533	9,032,258	10,077,606
<b>Receipts—</b>											
Customs Duty	210,139	232,854	268,779	272,361	277,032	313,668	347,746	414,487	465,728	467,879	525,000
Excise Duty etc.	548,751	582,172	630,959	751,238	805,911	853,558	901,104	939,712	1,053,104	1,212,006	1,283,020
Sales Tax	313,066	323,103	362,761	369,390	379,270	417,012	494,063	567,359	633,159	682,801	736,530
Income Tax—											
Individuals—											
P.A.Y.E. (net)	684,426	792,242	990,601	1,160,369	1,323,537	1,507,456	1,727,270	2,084,219	2,432,062	2,888,547	3,278,000
Other	398,928	480,045	579,923	570,974	599,043	669,949	652,176	773,917	746,075	880,037	929,800
Companies	519,828	586,260	709,044	801,105	784,544	836,664	1,006,543	1,151,364	1,395,389	1,477,482	1,500,000
Withholding Tax—Dividend and Interest	17,929	15,936	16,039	17,247	22,708	22,626	23,549	46,022	48,274	57,652	64,000
Pay-roll Tax	132,484	143,519	161,354	175,674	191,958	209,298	234,525	264,050	295,428	340,000	350,000
Other Taxes (h)	42,102	46,400	48,881	42,372	49,247	63,333	70,187	81,948	80,519	78,454	78,660
Total Taxation Revenue	2,867,723	3,204,534	3,768,340	4,160,730	4,433,249	4,893,565	5,466,303	6,323,081	7,149,938	7,843,927	8,400,500
Other Revenue	253,710	301,412	329,527	372,746	440,055	450,353	537,215	571,667	663,638	739,569	784,816
National Debt Sinking Fund (f)	163,576	177,838	192,624	202,178	131,857	141,016	153,717	156,264	156,043	160,649	173,248
Net increase in other balances of the Commonwealth in the Trust Fund	30,568	19,745	22,170	31,858	33,573	45,797	55,447	63,679	60,610	101,251	88,900
Total Receipts	3,315,677	3,705,529	4,312,660	4,767,512	5,038,734	5,530,731	6,212,679	7,114,692	8,030,229	8,845,396	9,447,465
Deficit	415,489	418,776	182,566	254,768	551,765	642,357	385,311	6,753	75,303	186,861	630,141

(g) 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 Reparation 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. (h) 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 \$37,056,000. (i) Comparisons between 1970-71, 1971-72 and estimates for 1972-73 are affected by the decision taken at the June 1971 Premiers' Conference with regard to the transfer of pay-roll taxation revenues to the States from 1 September 1971. (j) 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. (k) Includes the proceeds of State domestic loan raisings. (l) Includes export incentive payments and rebates. (m) Other than advances to the States. (n) Includes revenues from estate, gift and stamp duties. (o) Excludes profits on realisation of investments and repayments of advances by the Australian Wheat Board.

TABLE 2—SUMMARY OF COMMONWEALTH FINANCING TRANSACTIONS, 1962-63 TO 1971-72

	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
<b>Overseas—</b>										
Credit arrangements for defence purchases in the U.S.A. . . . .	5,253	5,154	34,859	30,289	30,735	64,780	14,595	11,308	47,099	84,509
Less—repayments . . . . .	11,467	11,964	12,088	13,614	12,876	15,822	21,004	27,206	27,588	32,555
Net drawings . . . . .	—6,214	—6,810	22,770	16,675	17,859	48,958	—12,409	—15,897	19,510	51,954
Aircraft loans for Qantas and Australian National Airlines										
Commission . . . . .	140,324	73,629	43,259	37,668	54,444	76,978	168,536	47,978	14,795	26,158
Less—redemptions, etc.(d) . . . . .	38,463	47,277	80,102	77,412	134,691	111,635	68,518	160,411	86,502	108,774
Net proceeds . . . . .	101,861	26,353	—36,844	—39,745	—80,247	—34,840	100,018	—112,433	—71,707	—82,615
Total net proceeds overseas . . . . .	95,647	19,543	—14,074	—23,070	28,164	132,150	142,212	—130,872	—45,597	—47,095
Funds provided for International Monetary Fund . . . . .	—23,112	..	—22,321	—40,301	—27,188	—58,800	—5,000	..	—36,831	..
<b>Australia—</b>										
Proceeds of loans raised in Australia(b) . . . . .	532,198	597,841	522,681	552,487	666,459	589,419	615,707	677,388	770,092	917,426
Less—redemptions, etc. . . . .	164,994	153,349	270,235	254,534	258,498	292,592	234,865	414,335	565,523	197,146
Net change in Treasury Notes on issue(c) . . . . .	367,204	444,492	252,445	297,953	407,960	296,827	380,843	263,053	204,569	720,281
Net change in Treasury Notes on issue(d) . . . . .	138,980	13,590	—72,138	35,664	—25,933	183,572	—68,316	46,542	17,853	—9,736
Net advance to the Australian Wheat Board . . . . .	506,184	458,082	180,307	333,617	382,027	480,399	312,527	309,795	222,422	710,545
Other financing transactions(d) . . . . .	..	..	..	..	..	..	..	—183,952	65,321	53,178
Residual Financing—										
Net increase in Treasury Bills on issue . . . . .	506,184	458,082	180,307	333,617	382,027	480,399	312,527	125,843	287,743	763,723
Net issue of other securities to the Reserve Bank . . . . .	7,869	10,073	4,260	20,906	4,650	37,445	62,382	45,133	27,352	37,652
Use of cash balances . . . . .	—170,000	—68,000	(e) —62,000	—36,000	10,000	51,000	—127,000	—14,000	..	..
Total residual financing . . . . .	—1,099	—921	(e) —100,000	..	(f) 155,000	..	..	190	—19,351	—567,419
Total Australian financing transactions . . . . .	—171,099	—68,921	34,394	—36,384	164,111	51,163	—126,810	—33,351	—157,371	—567,419
Total Financing Transactions . . . . .	342,954	399,234	218,962	318,138	550,788	569,008	248,099	137,625	157,728	233,956
Total Financing Transactions . . . . .	415,489	418,776	182,566	254,768	551,765	642,357	385,311	6,753	75,303	186,861

(b) 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. (c) Includes Treasury Notes issued to the Reserve Bank to finance advances to the Australian Wheat Board. (d) Includes funds obtained from coinage and State domestic raisings. (e) Includes Treasury Notes issued to the Reserve Bank to finance advances to the Australian Wheat Board. (f) Includes Government securities transactions. (g) Includes Treasury Bills on issue to the Reserve Bank. (h) 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

	1962-63	1963-64	1964-65	1965-66
	\$ million	\$ million	\$ million	\$ million
<b>Outlay—</b>				
<b>Net expenditure on goods and services—</b>				
<b>Current expenditure—</b>				
Defence .. .. .	411	486	558	684
Repatriation .. .. .	49	51	54	60
Development of resources and assistance to industry .. .. .	68	77	99	110
Civil aviation .. .. .	20	22	24	24
Immigration .. .. .	21	25	32	33
Law, order and public safety .. .. .	5	5	6	7
Education .. .. .	12	13	17	20
Health and welfare .. .. .	28	28	31	35
Foreign affairs .. .. .	11	12	14	17
All other <sup>(a)</sup> .. .. .	115	(b)136	161	178
	739	(b)856	997	1,169
<b>Capital expenditure<sup>(c)</sup>—</b>				
Public enterprises—				
Houses and flats .. .. .	5	1	-2	5
Other .. .. .	9	11	16	19
General government—				
Transport .. .. .	21	22	28	36
Other .. .. .	46	(d)55	62	60
	81	(d)89	104	119
<b>Total net expenditure on goods and services</b>	<b>820</b>	<b>946</b>	<b>1,102</b>	<b>1,288</b>
<b>Transfer payments—</b>				
Cash benefits to persons .. .. .	937	1,028	1,080	1,156
Grants to States .. .. .	852	896	958	1,076
Interest paid .. .. .	337	361	390	409
Transfers overseas .. .. .	73	87	107	127
Subsidies <sup>(f)</sup> .. .. .	77	108	96	142
Grants for private capital purposes .. .. .	9	9	26	47
<b>Total transfer payments</b>	<b>2,285</b>	<b>2,489</b>	<b>2,657</b>	<b>2,956</b>
<b>Total expenditure</b>	<b>3,105</b>	<b>3,435</b>	<b>3,759</b>	<b>4,243</b>
<b>Net advances—</b>				
to States—Works purposes .. .. .	346	373	400	405
Housing .. .. .	90	92	93	107
Other .. .. .	22	25	26	35
to Commonwealth authorities—Post Office .. .. .	97	105	116	139
S.M.H.E.A. .. .. .	43	46	44	41
Airlines .. .. .	-6	-7	23	17
Other .. .. .	5	16	9	12
to Other Sectors—by War Service Homes .. .. .	53	43	39	39
Other .. .. .	15	16	17	14
	68	59	56	53
<b>Total net advances</b>	<b>665</b>	<b>708</b>	<b>767</b>	<b>809</b>
<b>Total Outlay</b>	<b>3,770</b>	<b>4,142</b>	<b>4,527</b>	<b>5,052</b>
<b>Receipts—</b>				
<b>Taxation—Indirect taxes<sup>(f)</sup> .. .. .</b>	<b>1,227</b>	<b>1,309</b>	<b>1,458</b>	<b>1,613</b>
Income taxes on companies .. .. .	538	602	725	818
Income taxes on persons—P.A.Y.E. .. .. .	684	792	991	1,160
Other .. .. .	399	480	579	570
Estate and gift duties .. .. .	42	46	49	42
Other direct taxes, fees, fines, etc. <sup>(h)</sup> .. .. .	26	27	32	34
<b>Total taxation</b>	<b>2,915</b>	<b>3,256</b>	<b>3,833</b>	<b>4,237</b>
<b>Other receipts—</b>				
Interest, rent and dividends etc. .. .. .	407	429	471	515
Gross income of public enterprises .. .. .	34	37	39	44
Net sales of existing assets <sup>(j)</sup> .. .. .	..	2	3	2
<b>Total other receipts</b>	<b>441</b>	<b>468</b>	<b>513</b>	<b>561</b>
<b>Total Receipts</b>	<b>3,356</b>	<b>3,724</b>	<b>4,345</b>	<b>4,798</b>
<b>Deficit</b>	<b>415</b>	<b>419</b>	<b>183</b>	<b>255</b>

(a) Includes current expenditure of the Australian Broadcasting Commission.

(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, \$219 million in 1971-72 and \$249 million in 1972-73 under the works programme is included in 'Grants to States'.

NATIONAL ACCOUNTS FORM, 1962-63 TO 1971-72, AND 1972-73 (ESTIMATE)

1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73 Estimate
\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
877	1,041	1,078	1,017	1,069	1,136	1,244
66	71	76	83	92	108	119
119	128	146	156	177	198	218
27	31	33	38	43	50	55
35	38	53	59	60	51	54
10	12	14	17	20	25	27
22	29	35	42	57	69	82
42	49	55	66	80	95	110
18	23	26	31	35	41	45
214	239	267	302	343	405	451
1,431	1,660	1,782	1,811	1,976	2,178	2,407
3	5	6	6	9	1	1
32	34	29	31	34	40	40
43	48	61	63	76	62	62
63	76	84	86	105	120	120
142	163	180	187	224	222	249
1,573	1,823	1,962	1,998	2,200	2,401	2,636
1,246	1,294	1,406	1,598	1,771	2,055	2,417
1,183	1,312	1,419	1,620	e2,207	(e)2,373	(e)2,716
432	476	502	546	576	616	649
151	154	139	180	185	205	234
166	179	261	247	309	382	338
45	58	32	34	37	43	56
3,223	3,472	3,779	4,224	5,084	5,674	6,410
4,796	5,295	5,741	6,222	7,284	8,075	9,066
437	460	484	518	366	533	586
109	111	113	118	126	126	126
28	58	28	31	28	53	58
574	629	625	667	520	587	644
179	203	205	233	247	270	288
47	39	30	33	27	16	10
18	49	-12	-16	20	52	(e)37
7	5	13	21	46	37	52
251	296	235	271	340	375	387
25	10	11	11	17	17	23
22	20	20	25	30	47	43
47	30	31	36	47	64	66
871	955	891	974	907	1,025	1,096
5,667	6,250	6,633	7,195	8,190	9,101	10,162
1,702	1,847	2,035	2,244	2,502	2,525	2,620
807	859	1,039	1,197	1,444	1,335	1,564
1,324	1,507	1,727	2,084	2,432	2,889	3,278
597	668	650	771	743	876	926
49	63	70	80	78	76	75
36	37	43	46	47	58	63
4,514	4,981	5,564	6,422	7,245	7,959	8,526
558	583	642	711	800	885	(f)938
47	47	30	52	60	62	65
-2	-2	-7	3	11	8	2
603	628	685	766	870	954	1,005
3,116	3,608	4,248	5,188	6,115	7,114	8,115
552	642	385	7	75	187	630

(f) Following the transfer of the pay-roll tax to the States, the export incentive scheme will operate in respect of exports in 1971-72 and subsequent years through direct payments from the Commonwealth, rather than by way of rebates of pay-roll tax. To facilitate year to year comparisons, 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 advance to Australian National Airlines Commission in connexion with revised superannuation arrangements, \$25 million.

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

(i) Includes receipt from Australian National Airlines Commission in connexion with revised superannuation arrangements, \$21 million.

(j) Excludes sales of previously rented houses. See footnote (c) on page 118.

## STATEMENT No. 8—EXTERNAL AID

As indicated in the table on the next page, a total of \$220,086,000 has been provided for expenditure on economic aid to developing countries in 1972-73. This is \$20,262,000, or 10.1 per cent, greater than actual expenditure in 1971-72.

The totals shown in this table differ from those quoted in Statement No. 4—Estimates of Expenditures, 1972-73 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 subsumed under other headings in the Budget); the inclusion of the voluntary contribution which Australia makes towards the technical assistance activities of the International Atomic Energy Agency; the exclusion of expenditures on the training of military personnel under Special Aid to the Khmer Republic; and the exclusion of expenditures relating to developed countries under the Commonwealth Co-operation in Education Scheme.

*Multilateral Aid*

Expenditures on multilateral aid programmes are estimated to increase by \$6,201,000 to a total of \$17,901,000 in 1972-73.

Although the agreement governing the third replenishment of the resources of the International Development Association has still not entered into effect, calls on Australia's previous contributions to the Association, including the voluntary contribution of \$US16 million made in November 1971, are expected to total \$8,398,000 this year, or \$1,534,000 more than in 1971-72. An amount of \$3,036,000 has been provided in the Budget to meet the first instalment of the paid-in portion of the proposed increase in Australia's subscription to the capital stock of the Asian Development Bank as set out in the Asian Development Bank (Additional Subscription) Bill now before Parliament: no similar payment was made in 1971-72. Total calls on Australia's existing contribution to the Multi-Purpose Special Fund of the Asian Development Bank and a proposed further contribution of \$US250,000 to its Technical Assistance Special Fund this year are together expected to result in expenditures \$1,223,000 greater than in 1971-72. The estimates also provide for increases in Australia's pledges to the U.N. Children's Fund, the U.N. High Commission for Refugees and the U.N. Development Programme in 1973. The estimated increase of \$283,000 in expenditure on the International Rice Research Institute at Los Banos in the Philippines in 1972-73 relates to the design, purchase and installation of a phytotron to assist research activities at the Institute.

*Bilateral Aid (excluding Papua New Guinea)*

Expenditures on bilateral aid programmes (excluding bilateral aid to Papua New Guinea) are estimated to increase by \$6,042,000 to a total of \$57,446,000 in 1972-73.

The provision for expenditure on multifarious aid projects undertaken in developing countries in South and South East Asia under the Colombo Plan will be increased by \$5,271,000, while that for the training of overseas students and officials from these countries in Australia will be \$423,000 greater than in 1971-72. Special Aid to Indonesia, which is basically used to finance ad hoc gifts of commodities, Devisa Kredit (D.K.) aid and the costs of shipping to Indonesia the large quantities of wheat and flour given to that country as part of Australia's commitment under the Food Aid Convention of the International Wheat Agreement, will be increased by \$2,051,000 to \$12 million in 1972-73 to complete the current three-year aid commitment to that country. Plans are underway for the CSIRO to help establish a major animal husbandry research institute in Indonesia in the near future.

In all, bilateral aid worth more than \$20 million will be provided to Indonesia in 1972-73, compared with \$17,824,000 in 1971-72, making that country by far the largest recipient of aid from Australia at the present time, excluding Papua New Guinea.

Expenditures on the South Pacific Aid Programme and the Commonwealth Co-operation in Education Scheme are estimated to increase by \$604,000 and \$152,000, respectively, in 1972-73 in accordance with the programme to provide a total of \$15 million in bilateral aid to developing countries in the South West Pacific in 1972-73 and the following three financial

years. Fiji is expected to be the major recipient. A total of \$2 million, or \$485,000 more than in 1971-72, will be provided for Rehabilitation and Relief Aid to Bangladesh in 1972-73;

	1971-72 Actual	1972-73 Estimated	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000
<i>Multilateral</i>			
International Development Association .. .. .	6,864	8,398	+ 1,534
Asian Development Bank—Capital Subscription .. .. .	..	3,036	+ 3,036
Asian Development Bank—Special Fund Contributions .. .. .	662	1,885	+ 1,223
UN Development Programme .. .. .	1,735	1,850	+ 115
UN High Commission for Refugees .. .. .	175	188	+ 13
UN Relief and Works Agency .. .. .	180	180	..
UN Children's Fund .. .. .	550	558	+ 8
World Food Programme .. .. .	843	880	+ 37
South Pacific Commission .. .. .	331	343	+ 12
Regional Projects for Economic Co-operation in Asia .. .. .	103	140	+ 37
International Red Cross .. .. .	35	20	- 15
World Meteorological Organization—World Weather Watch .. .. .	50	10	- 40
ASPAC Registry of Scientific and Technical Services .. .. .	73	57	- 16
ASPAC Food and Fertiliser Technology Centre .. .. .	26	26	..
International Rice Research Institute .. .. .	17	300	+ 283
International Trade Centre .. .. .	31	5	- 26
International Atomic Energy Agency—Technical Assistance .. .. .	25	25	..
<b>Total Multilateral .. .. .</b>	<b>11,700</b>	<b>17,901</b>	<b>+ 6,201</b>
<i>Bilateral (excluding Papua New Guinea)</i>			
<i>Colombo Plan</i>			
Projects, Experts and Equipment .. .. .	11,245	16,516	+ 5,271
Training .. .. .	6,007	6,430	+ 423
Special Aid to Indonesia .. .. .	9,949	12,000	+ 2,051
Special Aid to South Vietnam .. .. .	110	..	- 110
Special Aid to Khmer Republic .. .. .	1,196	1,330	+ 134
International Wheat Agreement—Food Aid Convention .. .. .	11,788	11,600	- 188
SEATO Aid Programme .. .. .	1,999	2,000	+ 1
Indus Waters Scheme .. .. .	2,021	1,400	- 621
Foreign Exchange Operations Fund—Laos .. .. .	643	643	..
Special Commonwealth African Assistance Plan .. .. .	548	610	+ 62
Commonwealth Co-operation in Education Scheme .. .. .	790	942	+ 152
South Pacific Aid Programme .. .. .	996	1,600	+ 604
Australian International Awards Scheme .. .. .	47	70	+ 23
Disaster Relief .. .. .	50	75	+ 25
Australian/Asian University Aid and Co-operation Scheme .. .. .	200	230	+ 30
Emergency Relief for Pakistan Refugees .. .. .	2,300	..	- 2,300
Rehabilitation and Relief Aid for Bangladesh .. .. .	1,515	2,000	+ 485
<b>Total Bilateral .. .. .</b>	<b>51,404</b>	<b>57,446</b>	<b>+ 6,042</b>
<b>Total Multilateral and Bilateral .. .. .</b>	<b>63,104</b>	<b>75,347</b>	<b>+12,243</b>
<i>Papua New Guinea</i>			
Grant-in-aid .. .. .	30,000	30,000	..
Development Grant .. .. .	39,875	48,500	+ 8,625
Allowances and Other Benefits for Overseas Officers .. .. .	38,294	42,800	+ 4,506
Drawings on Arawa Loan .. .. .	11,700	..	-11,700
Repayable Advance for purchase of shares in Commonwealth New Guinea Timbers Ltd(a) .. .. .	..	3,000	+ 3,000
Special Assistance to facilitate transfer of functions to Administration(a) .. .. .	..	3,500	+ 3,500
Miscellaneous budget items and other direct expenditures in Papua New Guinea .. .. .	16,851	16,939	+ 88
<b>Total Papua New Guinea .. .. .</b>	<b>136,720</b>	<b>144,739</b>	<b>+ 8,019</b>
<b>Total .. .. .</b>	<b>199,824</b>	<b>220,086</b>	<b>+20,262</b>

(a) To the extent that these expenditures relate to the purchase of Commonwealth assets in Papua New Guinea their effects on the Budget in 1972-73 will be offset by equivalent receipts.

in addition, at least \$2 million worth of food aid in the form of wheat or flour will be provided to that country this year. Finally, the provision for Special Aid to the Khmer Republic has been increased by \$134,000 to cover the cost of supplying earthmoving machinery, telecommunications equipment and other aid items to that country, as well as the pledge by Australia to contribute \$US1 million in 1972 to the Exchange Support Fund which was recently set up to help stabilise the Khmer economy. Other aid will also be provided to the Khmer Republic under the Colombo Plan in 1972-73.

Offsetting these increases to some extent, there will be reductions of \$621,000 in estimated calls during 1972-73 on Australia's contribution to the Indus Basin Development Fund; of \$188,000 in the provision for Australia's food aid commitment under the International Wheat Agreement, reflecting the fact that slightly more than 225,000 metric tons of wheat or flour equivalent was shipped in 1971-72 with consequential savings this year; of \$2,300,000 in Emergency Relief for East Pakistan Refugees in India, since this item is no longer required following the cessation of hostilities and the return of the refugees to their homes; and of \$110,000 in Special Aid to South Vietnam, since the project for which this item was originally created (viz. the construction of houses for dependants of members of the Regional and Popular Forces in Phuoc Tuy province) has now been completed—other aid will, of course, continue to be provided to South Vietnam under the Colombo Plan and SEATO Aid programme in 1972-73.

#### *Papua New Guinea*

Normal grant aid to the Administration of Papua New Guinea will be increased by \$13,131,000, or 12.1 per cent, to a total of \$121,300,000 in 1972-73.

The basic Grant-in-aid will remain constant at \$30 million but the Development Grant will be \$8,625,000 greater and the provision for Allowances and Other Benefits for Overseas Officers employed in the Papua New Guinea Public Service will be increased by \$4,506,000 to permit an expansion in recruitment and also allow for the flow-on effects of recent wage increases granted in Australia. There will be no payments in respect of the Arawa loan in 1972-73 as this was fully drawn last year. However, an interest-free loan of \$3 million repayable over 15 years including a grace period of three years will be provided to the Administration in 1972-73 to enable the Papua New Guinea Investment Corporation to purchase the shares in Commonwealth New Guinea Timbers Ltd (a plywood manufacturing concern at Bulolo) which were previously held by the Commonwealth. In addition, special financial assistance estimated at \$3,500,000 will be provided to the Administration this year to enable it to take over the functions previously performed in Papua New Guinea by certain Commonwealth Departments and instrumentalities which are being withdrawn as the move towards self-government and eventual independence proceeds: a large part of this amount will be devoted to the purchase of Commonwealth assets in Papua New Guinea. The provision for on-the-job training of Papua New Guineans in Australia has been increased by \$212,000 to a total of \$450,000 in 1972-73 and a further \$500,000, or \$414,000 more than in 1971-72, has been provided for the training of Papua New Guineans in administrative principles and procedures etc., at the Australian School of Pacific Administration (ASOPA), which was recently adapted for this purpose. Finally, expenditure on flying training scholarships for indigenous pilots in Papua New Guinea is estimated to be \$50,000 greater in 1972-73.

#### *Other Aid Expenditures*

No allowance has been made in the foregoing 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 at the present time.

Similarly, the figures in the 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 amounts involved here are currently estimated to approach \$1 million.

Nor has any allowance been made for the costs incurred in administering Australia's various external economic aid programmes. In all, these costs, which are subsumed in Departmental Running Expenses, are tentatively estimated to be about \$8 million per annum at the present time.

*Defence Aid*

Australia is also providing increasingly large amounts of defence aid to developing countries in South East Asia, not counting expenditures directly related to the presence of Australian forces in certain of those countries.

In 1972-73, for example, in addition to the substantial amounts being expended to develop Papua New Guinea's Defence Force, a total of \$13,547,000 will be provided for defence aid and co-operation with certain South East Asian countries. This figure includes estimated expenditures on the training of military personnel under Special Aid to the Khmer Republic. The principal recipients will be Malaysia, \$6,200,000; Indonesia, \$3,800,000; South Vietnam, \$2,164,000; and Singapore, \$963,000. An amount of \$250,000 has also been provided for military training in Australia of personnel from other countries.

To the extent that this defence aid releases domestic resources that the recipient countries would otherwise have used for the same purpose, it may indirectly help them to achieve faster rates of economic growth and development.

HISTORICAL GROWTH IN EXTERNAL ECONOMIC AID

The following table summarises the growth in expenditures on economic aid to developing countries, including Papua New Guinea, since 1962-63.

				Multilateral Programmes	Bilateral Programmes	Papua New Guinea	Total
				\$'000	\$'000	\$'000	\$'000
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	..	..	..	11,700	51,404	136,720	199,824
1972-73 Estimate	..	..	..	17,901	57,446	144,739	220,086

AUSTRALIA'S RELATIVE AID PERFORMANCE

International comparisons of aid performances by different donor countries are subject to numerous reservations because of conceptual problems and statistical difficulties. Some of these were outlined in Statement No. 8 attached to the 1971-72 Budget Speech.

Nevertheless, leaving *defence* aid on one side as this does not necessarily contribute to economic growth and well-being in recipient countries, the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development regularly publishes data on this subject in an attempt to provide some measure of burden-sharing and to compare the relative aid efforts by its member countries, including Australia, in helping to raise living standards in developing countries.



The following table compiled by the DAC shows the performance of member countries in recent years in terms of the net flow of total official and private resources to developing countries expressed as a percentage of Gross National Product. On the basis of that yardstick, Australia, with a provisional figure of 1.27 per cent in 1971 (compared with 1.22 per cent in 1970) is currently ranked third in the world. However, as the figures for Australia itself and for other countries confirm, such flows can and do fluctuate widely from year to year, largely for reasons beyond the influence and control of governments. In Australia's case, for example, the sharp jump in the figures for 1970 and 1971 resulted principally from the large private capital flows to Papua New Guinea associated with the Bougainville copper project and from a substantial growth in private export credits, primarily related to wheat sales to developing countries, much of which has been officially insured. For reasons which are well illustrated by these examples, this method of assessing relative aid performances leaves much to be desired.

**NET FLOW OF TOTAL OFFICIAL AND PRIVATE RESOURCES TO DEVELOPING COUNTRIES AS A PERCENTAGE OF GROSS NATIONAL PRODUCT**

Countries	1968	1969	1970	1971
	Per cent	Per cent	Per cent	Per cent
Australia .. .. .	0.73	0.74	1.22	1.27
Austria .. .. .	0.65	0.63	0.67	0.56
Belgium .. .. .	1.17	1.12	1.23	1.03
Canada .. .. .	0.46	0.50	0.76	0.82
Denmark .. .. .	0.67	1.08	0.55	0.80
France .. .. .	1.35	1.22	1.24	1.02
Germany .. .. .	1.23	1.32	0.80	0.88
Italy .. .. .	0.73	1.03	0.73	0.85
Japan .. .. .	0.74	0.76	0.93	0.96
Netherlands .. .. .	1.09	1.31	1.46	1.63
Norway .. .. .	0.65	0.77	0.59	0.51
Portugal .. .. .	0.95	1.71	1.07	1.56
Sweden .. .. .	0.50	0.75	0.70	0.69
Switzerland .. .. .	1.41	0.64	0.67	0.93
United Kingdom .. .. .	0.74	1.04	1.06	1.14
United States .. .. .	0.63	0.52	0.64	0.67
DAC Average .. .. .	0.80	0.75	0.80	0.80

Note: The figures for 1970 and 1971 include estimated contributions by voluntary aid organizations and are, to that extent, not strictly comparable with those for earlier years.

A far more meaningful way of assessing relative aid performances is to compare only the *official development assistance* provided by each donor country expressed as a percentage of Gross National Product. This concept excludes private investment flows as well as export credits (whether official or private) extended to developing countries and contributions by voluntary aid organizations, etc. It has certain deficiencies, from the point of view of a grant aid donor like Australia, in that it still lumps grants and loans together as if they were the same—which, of course, they are not—and fails to deduct interest payments by developing countries. Nevertheless, it is widely used as a measure of burden-sharing, etc. at the present time.

On this basis, Australia ranked fourth in the world in 1971 with a figure of 0.52 per cent. Comparable figures for all DAC countries in each year since 1968 are shown in the following table:—

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

Countries	1968	1969	1970	1971
	Per cent	Per cent	Per cent	Per cent
Australia .. .. .	0.57	0.56	0.59	0.52
Austria .. .. .	0.20	0.12	0.13	0.06
Belgium .. .. .	0.42	0.51	0.48	0.49
Canada .. .. .	0.26	0.34	0.42	0.37
Denmark .. .. .	0.23	0.39	0.38	0.43
France .. .. .	0.67	0.68	0.68	0.68
Germany .. .. .	0.41	0.38	0.32	0.34
Italy .. .. .	0.19	0.16	0.16	0.17
Japan .. .. .	0.25	0.26	0.23	0.23
Netherlands .. .. .	0.49	0.51	0.63	0.60
Norway .. .. .	0.29	0.30	0.32	0.33
Portugal .. .. .	0.54	1.02	0.61	0.75
Sweden .. .. .	0.28	0.43	0.36	0.45
Switzerland .. .. .	0.14	0.16	0.15	0.12
United Kingdom .. .. .	0.40	0.39	0.37	0.41
United States .. .. .	0.37	0.33	0.31	0.32
DAC Average .. .. .	0.38	0.36	0.34	0.35

The apparent deterioration in Australia's performance in 1971 resulted from a bunching of expenditures in the previous year which had the effect of distorting the underlying trend. Thus, the comparable figure for the financial year 1971-72 was 0.56 per cent. There seems little doubt that the figure for Australia in 1972 will be higher than that for 1971, given the further increases in aid which have been provided for in the Budget.

In addition to volume, increasing emphasis is now also being placed on international comparisons of the terms on which official development assistance is provided, in view of the serious external debt servicing problems which many developing countries face at the present time.

Australia's aid has always been provided on extremely 'soft' terms. Indeed, until a few years ago it was all given in grant form. Early in 1970, however, a loan of \$20 million on concessional terms was approved for the Administration of Papua New Guinea to help finance the construction of a new township at Arawa in connexion with the Bougainville copper project. As previously mentioned in this Statement, a further loan of \$3 million will be provided to the Administration in 1972-73.

Currently, Australia ranks first in the world with regard to the terms of its aid.

**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 \$56 million will be provided from Consolidated Revenue in 1972-73, 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 other specific purpose grants to the States also assist primary industries—for instance, payments for beef cattle roads, brigalow lands development, and water resources investigations and projects.

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 over \$740 million in 1971-72.

**COMMONWEALTH PAYMENTS TO INDUSTRY**

These payments are estimated to amount to \$367 million in 1972-73, compared with payments of about \$204 million five years ago (1967-68) and about \$73 million ten years ago (1962-63).

The following table sets out details of expected Commonwealth payments during 1972-73 to (or for the benefit of) industry, together with comparative details of actual payments for two previous years, as summarised in Statement No. 4, Item No. 9.

COMMONWEALTH PAYMENTS TO INDUSTRY

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000
<b>Rural Industries—</b>				
<b>Protective Bounties—</b>				
Raw Cotton Bounty .. .. .	2,973	795	..	- 795
<b>Other Payments—</b>				
Apple and Pear Stabilization .. .. .	..	2,701	3,150	+ 449
Canned Fruits Industry Assistance .. .. .	6,164	200	..	- 200
<b>Dairy Products—</b>				
Butter and Cheese Bounties .. .. .	41,500	39,882	28,500	- 11,382
Marginal Dairy Farm Reconstruction Scheme .. .. .	3,122	7,593	4,000	- 3,593
Processed Milk Products Bounty .. .. .	2,729	2,052	800	- 1,252
Devaluation Compensation .. .. .	21,000	7,204	250	- 6,954
Dried Vine Fruits Stabilization .. .. .	..	276	1,800	+ 1,524
Egg Industry Assistance .. .. .	..	..	750	+ 750
Fruitgrowing Industry Reconstruction .. .. .	..	..	2,000	+ 2,000
Nitrogenous Fertilizers .. .. .	9,716	9,757	10,000	+ 243
Petroleum Products Prices .. .. .	23,829	25,230	26,800	+ 1,570
Phosphate Fertilizers Bounty .. .. .	40,815	45,795	46,000	+ 205
Rural Reconstruction .. .. .	4,000	40,000	56,000	+ 16,000
Wheat Industry Stabilization .. .. .	29,008	58,357	47,000	- 11,357
<b>Wool—</b>				
Advance for administrative expenses of Australian Wool Commission .. .. .	300	..	..	..
Advances against possible loss by Australian Wool Commission .. .. .	1,040	..	..	..
Deficiency Payments for Wool .. .. .	..	52,802	1,000	- 51,802
Emergency Assistance to Growers .. .. .	21,327	187	..	- 187
Payment against loss in 1970-71 by Australian Wool Commission .. .. .	..	..	340	+ 340
Wool Marketing Assistance .. .. .	2,900	4,100	4,200	+ 100
<b>Total Rural Industries</b> .. .. .	<b>210,424</b>	<b>296,931</b>	<b>232,590</b>	<b>- 64,341</b>
<b>Manufacturing Industries—</b>				
<b>Protective Bounties—</b>				
Agricultural Tractors Bounty .. .. .	2,750	3,160	1,700	- 1,460
Book Bounty .. .. .	3,217	3,181	3,000	- 181
Cellulose Acetate Flake Bounty .. .. .	200	166	171	+ 5
Shipbuilding Subsidy (net) .. .. .	18,646	13,396	33,706	+ 20,310
Sulphate of Ammonia Bounty .. .. .	538	-2	..	+ 2
Sulphuric Acid Bounty .. .. .	489	896	50	- 846
Urea Bounty .. .. .	449	..	..	..
<b>Other Payments—</b>				
Devaluation Compensation .. .. .	600	23	..	- 23
<b>Export Incentive—</b>				
Grants(a) .. .. .	..	..	44,000	+ 44,000
Pay-roll Tax Rebates(a) (b) .. .. .	47,750	58,674	24,000	- 34,674
Industrial Research and Development Grants .. .. .	16,250	13,000	14,000	+ 1,000
<b>Total Manufacturing Industries</b> .. .. .	<b>90,889</b>	<b>92,493</b>	<b>120,627</b>	<b>+ 28,134</b>
<b>Mining Industries—</b>				
<b>Protective Bounties—</b>				
Pyrites Bounty .. .. .	568	1,205	226	- 979
<b>Other Payments—</b>				
Gold Mining Industry Assistance .. .. .	2,881	1,852	1,300	- 552
Petroleum Search Subsidy .. .. .	9,643	7,572	10,000	+ 2,428
<b>Total Mining Industries</b> .. .. .	<b>13,092</b>	<b>10,629</b>	<b>11,526</b>	<b>+ 897</b>
<b>Transport Industries—</b>				
Air Services .. .. .	2,000	1,900	2,000	+ 100
<b>Shipping Services—</b>				
Melbourne—King Island .. .. .	160	143	..	- 143
South America .. .. .	113	38	..	- 38
<b>Total Transport Industries</b> .. .. .	<b>2,273</b>	<b>2,081</b>	<b>2,000</b>	<b>- 81</b>
<b>Total Commonwealth Payments to Industry</b> .. .. .	<b>316,677</b>	<b>402,134</b>	<b>366,743</b>	<b>- 35,391</b>

(a) No adequate dissection of these payments by industry of exporter is available. However, as the bulk of the payments related to manufactures, the whole amount has been included under Manufacturing Industries. (b) Figures are the amounts of pay-roll tax rebates refunded under the export incentive scheme. (The total amounts of rebates applied in 1970-71 and 1971-72 were \$49,356,000 and \$59,960,000 respectively, including rebates applied as credits against tax as well as rebates refunded.)

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

*Rural Industries*

*Raw Cotton Bounty.* An amendment in 1969 to the Raw Cotton Bounty Act provided that no further bounty would be payable after payments for the 1971 crop. Those payments were completed in 1971-72.

*Apple and Pear Stabilization Scheme.* The provision of \$3,150,000 for 1972-73 represents the estimated Commonwealth liability in respect of apples and pears shipped and sold 'at risk' in 1972. Of the estimated increase, \$400,000 relates to an increase by 500,000 bushels, for this year only, in the quantity of fruit which may attract the maximum payout of 80 cents per bushel.

*Butter and Cheese Bounties.* Payments are expected to decrease by \$11,382,000 in 1972-73 as the special additional grants for 1970-71 and 1971-72 have not been renewed.

*Marginal Dairy Farm Reconstruction Scheme.* For the second full year of operation of this four-year \$25,000,000 scheme, the estimated requirements are \$3,593,000 less than in 1971-72, reflecting an improved financial situation in the industry.

*Devaluation Compensation.* The provision of \$250,000 covers the estimated residual commitment of the Commonwealth to rural industries in respect of reduced returns in Australian currency arising from the 1967 devaluation of sterling and other currencies. Details of payments in past years, and payments expected in 1972-73, are:—

Commodity	1969-70 Actual	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase — Decrease on 1971-72
	\$'000	\$'000	\$'000	\$'000	\$'000
Apples and Pears .. .. .	2,061	2,595	.. 30	..	.. 30
Canned Fruit .. .. .	825	90	.. 30	..	— 2,551
Dairy Products .. .. .	20,012	12,698	2,631	80	— 1,039
Dried Vine Fruits .. .. .	168	119	1,039	..	— 46
Eggs .. .. .	246	36	46	..	..
Honey .. .. .	21	7	..	..	— 3,305
Sugar .. .. .	5,563	5,423	3,424	119	+ 17
Other .. .. .	105	31	34	51	..
Total .. .. .	29,000	21,000	7,204	250	— 6,954

*Dried Vine Fruits Stabilization.* The estimated increase of \$1,524,000 reflects the expected need to support reduced average returns for a significantly greater sultana pack from the 1972 season.

*Egg Industry Assistance.* The provision of \$750,000 is for a one-year scheme of assistance to the egg industry.

*Fruitgrowing Industry Reconstruction.* As recently announced, the Commonwealth has undertaken to provide over a period a total of \$4,600,000 financial assistance towards the scheme for the removal of trees producing fruit deemed to be surplus to long-term market requirements. Expenditure of \$2,000,000 in 1972-73 is forecast.

*Nitrogenous Fertilizers.* It is proposed that this subsidy, which is due to expire on 31 October 1972, be extended to 31 December 1974.

*Petroleum Products Prices—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 of \$1,570,000 reflects an expected increase in consumption.

*Rural Reconstruction.* The estimate of \$56,000,000 for 1972-73 arises from an agreement that the Commonwealth would, in the second full year of the scheme, pay the balance of the \$100 million total initially agreed to be provided to the States over a period of four years for debt reconstruction, farm build-up and rehabilitation.

*Wheat Industry Stabilization.* The estimated decrease of \$11,357,000 reflects the expectation that exports from the 1971-72 crop will attract a stabilization payment in 1972-73, whereas in 1971-72 there were stabilization payments in respect of exports from both the 1969-70 and the 1970-71 wheat pools. The expected payment in respect of the 1971-72 season is based on an estimated average export price of 128.3 cents per bushel, compared with the guaranteed return of 151.8 cents per bushel for 200 million bushels of exports.

*Wool Deficiency Payments.* The estimate of \$1,000,000 for 1972-73 represents the carry-over in respect of 1971-72 sales under the scheme introduced last year. Although the scheme is being extended for a further year, no payments are expected in respect of 1972-73 sales in view of the improvement in wool prices since early 1972. Expenditure is thus expected to decline by \$51,802,000.

#### *Manufacturing Industries*

*Agricultural Tractors Bounty.* The amounts shown include the temporary additional bounty on the sale of eligible tractors. However, pending receipt and consideration of the Tariff Board's report on the industry, provision is included only for estimated expenditure in respect of tractors covered by the present legislation which is due to expire on 31 December 1972.

*Shipbuilding Subsidy.* The main reasons for the increase of \$20,310,000 are the higher rates of subsidy payable under the new arrangements announced on 31 May 1972, the extension of the subsidy to shipyards formerly not eligible, and an expected increase in the number and value of new ships to be ordered in 1972-73.

*Sulphuric Acid Bounty.* The bounty expired on 31 May 1972. The estimated expenditure for 1972-73 represents final payments under the scheme.

*Devaluation Compensation.* The scheme of assistance applied to exports up to the end of 1969 to markets affected by devaluation. Final payments under the scheme were made in 1971-72.

*Export Incentive Payments.* The export incentive scheme is expected to involve an overall increase of \$9,326,000 because of further increases in exports eligible for this assistance. Although the pay-roll tax was transferred to the States in September 1971, and the export incentive scheme was continued on the basis of grants to exporters, estimated payments in 1972-73 include payroll tax rebates in respect of earlier years' exports.

*Industrial Research and Development Grants.* The 1972-73 estimate is for expenditure incurred in respect of the scheme which expired on 30 June 1972. Commonwealth expenditure under the new scheme, which commenced on 1 July 1972, will not occur until 1973-74.

#### *Mining Industries*

*Pyrites Bounty.* The bounty expired on 31 May 1972. The amount shown for 1972-73 represents final payments under the scheme.

*Gold Mining Industry Assistance.* A producer's subsidy entitlement is reduced by half of the premium receipts from sale of gold on the free market at prices above the official price of \$31.25 per fine ounce. The estimated decrease of \$552,000 reflects an expectation of a higher level of premium receipts by subsidised producers.

*Petroleum Search Subsidy.* The estimated increase of \$2,428,000 reflects the March 1972 liberalisation of the subsidy scheme.

**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.

	1970-71 Actual	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease
	\$'000	\$'000	\$'000	\$'000
Wool Promotion and Research(a) .. .. .	27,744	27,974	27,000	- 974
Objective Measurement of Wool .. .. .	446	658	700	+ 42
Other Rural Research(a)—				
Wheat .. .. .	730	750	800	+ 50
Meat .. .. .	1,490	1,751	1,900	+ 149
Dairy .. .. .	436	398	410	+ 12
Fishing .. .. .	2	192	430	+ 238
Tobacco .. .. .	370	450	400	- 50
Miscellaneous(b) .. .. .	360	447	576	+ 128
Export Promotion Payments(c) .. .. .	4,306	4,425	4,952	+ 527
Coal Research .. .. .	260	260	260	..
<b>Total .. .. .</b>	<b>36,144</b>	<b>37,306</b>	<b>37,428</b>	<b>+ 122</b>

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

(b) Includes sirex wasp, poultry, chicken meat, wine, barley, 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 1971-72 through the main taxation concessions for which figures are shown below, is estimated to have been more than \$304 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, in respect of exports in 1970-71 and prior years, are shown in the section headed 'Commonwealth Payments to Industry'.) Special estate duty reliefs for primary production estates were introduced in the financial year 1969-70. There are numerous concessions to industry in the sales tax field in the form of special exemptions.

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 1971-72 are shown in the table on page 80. The table does not include the cost of the averaging provisions applied to incomes of 'primary producers'. These provisions involve assessment at rates of tax which may differ from those otherwise applicable to the taxable income. They have the effect of reducing the tax otherwise payable in a year when taxable income exceeds the average of that year and the four preceding years. It may exceed the average because of fluctuations in income, or because incomes had generally risen over the period, or both. Conversely, if taxable income falls below average income, tax payable under these provisions is higher than it would otherwise be. Options allowed by the law to withdraw permanently from the averaging provisions, or to re-enter them, have enabled 'primary producers' to have applied either tax at general rates or tax under

the provisions, whichever is more favourable to them. The provisions are estimated to have involved a cost to revenue of approximately \$125 million in the five assessment years ended 1971-72, of which approximately \$22 million relates to revenue forgone in 1971-72.

The table also takes no account of the effect on revenue 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 1972 is estimated at about \$600,000.

Assistance to industry is also provided by the exemption from income tax of the remuneration of certain 'visiting experts' during a visit to Australia, where the remuneration is not free from income tax in the country where the visitor ordinarily resides. A related concession is the rebate which may be allowed in the case of visiting experts, which in effect reduces the Australian income tax payable on the visitor's remuneration to the amount of tax that he would have had to pay in his own country if he had earned the remuneration there.

With increasing mining production and continuing expenditure on exploration, it is probable that there will be continuing and, in some cases, increasing costs to revenue of the various income tax concessions which apply to the mining and mining exploration industries. In particular, increased production of bauxite and the other prescribed minerals, income from which is partly exempted under section 23A, is likely to 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, with the growth in income from Australian petroleum (both oil and natural gas) 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), 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.



## TABLE OF MAIN INCOME TAX CONCESSIONS WHICH ASSIST INDUSTRY

<i>Categories are explained on page 78</i>	<i>Estimated Revenue Forgone in 1971-72 \$ million</i>
<i>Category A:</i>	
Investment allowance—	
Manufacturing(a) .. .. .	45.0
Primary production .. .. .	7.0
Export Market Development Rebate .. .. .	19.0
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) .. .. .	} 48.0
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) .. .. .	68.0
Total Category A .. .. .	198.0
 <i>Category B:</i>	
Special depreciation allowable to 'primary producers' .. .. .	} 12.0
Allowance of immediate deduction for fencing and underground piping instead of depreciation .. .. .	
Special rate of depreciation on plant used for scientific research .. .. .	} 55.0
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 .. .. .	67.0(b)
 <i>Category C:</i>	
Exemption of certain mining profits .. .. .	17.0(c)
Total of Categories A, B and C .. .. .	282.0

(a) The investment allowance on manufacturing plant and equipment was suspended in respect of expenditure incurred during the period 4 February 1971 to 13 February 1972, unless it had been incurred under a contract made on or before 3 February 1971 with the supplier of the goods and services involved.

(b) This estimate is based on the deductions allowable in the 1970-71 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—COMMONWEALTH ASSISTANCE FOR  
SOCIAL WELFARE AND REPATRIATION**

**COMMONWEALTH EXPENDITURE**

Commonwealth expenditure in the fields of social welfare and repatriation is brought together in the following table which shows actual expenditure in 1971-72, and estimated expenditure in 1972-73 including the cost of measures announced in the Budget Speech. In addition to expenditure contained in Item No. 3—Payment to National Welfare Fund and Item No. 4—Repatriation Services in Statement No. 4, this table includes certain expenditure contained in other Items in that Statement.

	1971-72 Actual	1972-73 Estimate	Increase on 1971-72
	\$'000	\$'000	\$'000
<b>Social Welfare Benefits—</b>			
Social Services .. .. .	1,236,389	1,498,864	262,475
Health Services .. .. .	534,354	602,885	68,531
Housing Benefits .. .. .	29,170	39,163	9,993
<b>Total Social Welfare Benefits .. .. .</b>	<b>1,799,913</b>	<b>2,140,912</b>	<b>340,999</b>
<b>Repatriation Benefits .. .. .</b>	<b>352,441</b>	<b>388,326</b>	<b>35,885</b>
	<b>2,152,354</b>	<b>2,529,238</b>	<b>376,884</b>

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

**SOCIAL SERVICES**

Expenditure under this heading comprises amounts charged to the National Welfare Fund and other social services expenditure provided for by annual appropriations or by separate legislation. Details of expenditure 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 other social services expenditure.

Social Services	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000
<b>National Welfare Fund expenditure (See Item No. 3, Statement No. 4) .. .. .</b>	<b>1,208,094</b>	<b>1,459,770</b>	<b>+ 251,676</b>
<b>Other expenditure—</b>			
Compassionate allowances and other special payments	98	104	+ 6
Aged Persons Homes Act .. .. .	19,000	22,000	+ 3,000
Sheltered Employment (Assistance) Act .. .. .	3,199	4,000	+ 801
States Grants (Home Care) Act .. .. .	771	1,255	+ 484
Telephone Rental Concessions .. .. .	3,806	4,200	+ 394
Rehabilitation Service—Equipment .. .. .	39	35	- 4
Handicapped Children (Assistance) Act .. .. .	1,381	2,500	+ 1,119
Child Care Assistance .. .. .	..	5,000	+ 5,000
<b>Total—Other expenditure .. .. .</b>	<b>28,294</b>	<b>39,094</b>	<b>+ 10,800</b>
<b>Total—Social Services .. .. .</b>	<b>1,236,389</b>	<b>1,498,864</b>	<b>+ 262,475</b>

## HEALTH SERVICES

Certain expenditure on health services is met from the National Welfare Fund. Details are shown in Item No. 3, Statement No. 4. Other expenditure is provided for by annual appropriations or by separate legislation. The following table shows the total of the National Welfare Fund expenditure on health services and particulars of other national health services items not charged to the Fund.

Health Services	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000
National Welfare Fund expenditure ( <i>See</i> Item No. 3, Statement No. 4) .. .. .	526,553	592,250	+ 65,697
Other expenditure—			
Tuberculosis Act—Capital expenditure .. .. .	438	392	- 46
States Grants (Milk for School Children) Act— Capital and incidental expenditure .. .. .	49	73	+ 24
States Grants (Mental Health Institutions) Act— Capital expenditure .. .. .	4,207	5,000	+ 793
States Grants (Nursing Homes) Act—Capital expen- diture .. .. .	460	1,600	+ 1,140
States Grants (Paramedical Services) Act .. .. .	7	19	+ 12
Blood Transfusion Services .. .. .	990	1,170	+ 180
National Fitness .. .. .	418	600	+ 182
Royal Flying Doctor Service .. .. .	604	756	+ 152
Hearing aids for Repatriation and other patients .. .. .	130	125	- 5
Drug education campaign .. .. .	499	500	+ 1
Anti-smoking education campaign .. .. .	..	400	+ 400
Total—Other expenditure .. .. .	7,802	10,635	+ 2,833
Total—Health Services .. .. .	534,354	602,885	+ 68,531

## HOUSING BENEFITS

Item No. 3, Statement No. 4, gives details of expenditure on housing benefits charged to the National Welfare Fund. The following table shows the composition of total expenditure on housing benefits.

Housing Benefits	1971-72 Actual	1972-73 Estimate	+ Increase - Decrease on 1971-72
	\$'000	\$'000	\$'000
National Welfare Fund expenditure ( <i>See</i> Item No. 3, Statement No. 4) .. .. .	17,548	25,942	+ 8,394
Other expenditure—			
States Grants (Dwellings for Aged Pensioners) Act..	7,622	6,471	- 1,151
States Grants (Housing) Act .. .. .	4,000	6,750	+ 2,750
Total—Other expenditure .. .. .	11,622	13,221	+ 1,599
Total—Housing Benefits .. .. .	29,170	39,163	+ 9,993

## REPATRIATION SERVICES

The composition of expenditure on repatriation services is given in Item No. 4, Statement No. 4. Figures for total expenditure shown in that Statement are repeated below.

Repatriation Services	1971-72 Actual	1972-73 Estimate	Increase on 1971-72
	\$'000	\$'000	\$'000
Total—Repatriation Services .. .. .	352,441	388,326	35,885

COMMONWEALTH ASSISTANCE THROUGH THE TAXATION SYSTEM

The Commonwealth's direct expenditure on social services, health, housing and repatriation benefits and services (estimated at \$2,529,238,000 in 1972-73) is not a full measure of the cost to the Commonwealth of its welfare and repatriation assistance. In addition, there are certain taxation concessions having welfare aspects granted to taxpayers under the income tax law and the sales tax law. Some of these concessions (for example, dependants allowances) are related also to other considerations (for example, the differing 'ability to pay' of persons on the same income but with varying numbers of dependants) and their summation below does not imply, therefore, that they are entirely of a welfare nature. Income tax provisions of these kinds are set out below. Sales tax exemptions are available for certain purchases by approved bodies such as public benevolent institutions and by certain disabled persons.

The amount of revenue forgone in respect of the 1970-71 income year through the main income taxation concessions of a welfare or part-welfare nature is estimated at \$788 million. The main concessions, together with the estimated amounts of revenue forgone, are listed below:—

—	Estimated Revenue Forgone in respect of 1970-71 Income Year(a)
	\$ million
Maintenance of dependants and housekeepers(b) .. .. .	330
Medical, dental, optical, hospital and funeral expenses(c) .. .. .	130
Contributions to medical and hospital benefit funds .. .. .	66
Superannuation contributions, life assurance premiums, etc., by individual taxpayers(d) .. .. .	250
Age allowance(e) .. .. .	(f) 12
	788

(a) In estimating the revenue forgone in respect of the above group of deductions of a welfare nature (which relates to amounts allowed to taxable individuals) the total cost of the group has been estimated and the resulting amount apportioned to the component classes of deduction.

(b) The maximum deductions allowable for each class of dependant in the 1970-71 income year were as follows:—

	<i>Maximum Deduction</i>
	\$
Spouse, daughter-housekeeper, parent, parent-in-law or housekeeper	312
One child under 16 years, student child or invalid relative .. .. .	208
Each other child under 16 years .. .. .	156

(c) There was a maximum deduction in the 1970-71 income year of \$100 for funeral expenses in respect of a taxpayer's spouse, children under 21 or dependants.

(d) Relates to deductions which an employee or self-employed taxpayer may claim up to a specified maximum (\$1,200 in the 1970-71 income year) each year for contributions to a superannuation scheme or for premiums for life assurance, accident and sickness policies, etc. Superannuation contributions on which revenue is forgone may later give rise to retirement income which is assessable to tax, in whole or in part.

(e) For the 1970-71 income year, complete exemption from tax applied where an aged taxpayer's taxable income did not exceed \$1,326 or, if he was married, the combined taxable incomes of the taxpayer and his spouse did not exceed \$2,314. Shading-in provisions provided a gradual transition to normal rates of tax up to the limits of \$2,273 of taxable income for a single taxpayer and \$4,102 of combined taxable income for a taxpayer and his spouse.

(f) The estimate of revenue forgone relates only to taxable individuals and those non-taxable individuals who lodged returns in respect of the 1970-71 income year.

OUTLINE OF THE MAIN SOCIAL WELFARE AND REPATRIATION BENEFITS

In this section the existing and proposed rates of the main social service, health, housing and repatriation benefits are set out. Also included is information on proposals to vary other social welfare and repatriation benefits.

A. SOCIAL SERVICES

Benefit	Rate (maximum)		
	Existing	Proposed 1972-73	+ Increase - Decrease
	\$ a week	\$ a week	\$ a week
Age and Invalid Pensions and Allowances and Sheltered Employment Allowances—			
Single person	18.25	20.00	+1.75
Married couple (both eligible but living apart for an indefinite period through ill health)—each	18.25	20.00	+1.75
Married couple (both eligible and living together)—each	16.00	17.25	+1.25
Married couple—husband eligible—			
Husbands pension	18.25	17.25(a)	-1.00
Payment for wife	8.00	17.25(a)	+9.25
Married couple—wife eligible	18.25	20.00	+1.75
Each dependent child (including a student child under 21 years)	4.50	4.50	..
Guardians allowances—			
Where there is a child under 6 years or an invalid child requiring full-time care	6.00	6.00	..
Other cases	4.00	4.00	..
Supplementary assistance—for certain pensioners and beneficiaries who pay rent(b)	2.00	4.00	+2.00
Widows Pensions and Allowances—			
Class A—Widows with dependent children	18.25	20.00	+1.75
Mothers allowances—			
Where there is a child under 6 years or an invalid child requiring full-time care	6.00	6.00	..
Other cases	4.00	4.00	..
Each dependent child (including a student child under 21 years)	4.50	4.50	..
Class B—Widows aged 50 years or more without dependent children	16.00	17.25	+1.25
Class C—Widows under 50 years of age in necessitous circumstances and without dependent children	16.00	17.25	+1.25
Supplementary assistance—for certain pensioners who pay rent	2.00	4.00	+2.00
Long-term Sickness Benefits—			
Adult or married minor	18.25	20.00	+1.75
Spouse	8.00	8.00	..
Each child under 16 years	4.50	4.50	..
Person 16 and under 21 years	12.00	13.00	+1.00
Supplementary allowance—for certain beneficiaries who pay rent	2.00	4.00	+2.00
Unemployment and Short-term Sickness Benefits—			
Adult or married minor	17.00	17.00	..
Spouse	8.00	8.00	..
Each child under 16 years	4.50	4.50	..
Person 16 and under 18 years	7.50	7.50	..
Person 18 and under 21 years	11.00	11.00	..
Maternity Allowances—			
No other children	30.00	30.00	..
1 or 2 other children	32.00	32.00	..
3 or more other children	35.00	35.00	..
Multiple Births—Additional payment for each additional child	10.00	10.00	..
Child Endowment—			
First child under 16 years	0.50	0.50	..
Second child under 16 years	1.00	1.00	..
Third child under 16 years	2.00	2.00	..
Other children under 16 years	(c)	(c)	..
Each student child 16 years and under 21 years	1.50	1.50	..
Personal Care Subsidy	5.00	10.00	+5.00

(a) As announced in the Budget Speech, it is proposed to extend eligibility for pension, at the married rate, to the wives of all age and invalid pensioners and to pay the husband in such cases pension at the married rate. Payment, at present is restricted to a non-pensioner wife if the pensioner is permanently incapacitated for work, or is blind, or has a child.

(b) As announced in the Budget Speech, it is proposed to extend eligibility for supplementary assistance to married couples who pay rent.

(c) Child endowment for the fourth child under 16 years in a family is \$2.25 a week, for the fifth, \$2.50 a week and so on.

B. HEALTH SERVICES

Benefit	Rate (maximum)		
	Existing	Proposed 1972-73	Increase
	\$	\$	\$
Hospital Benefits(a)—			
Insured patients .. .. .	2.00 p.d.	2.00 p.d.	..
Uninsured patients .. .. .	0.80 p.d.	0.80 p.d.	..
Patients without charge .. .. .	2.00 p.d.	2.00 p.d.	..
Pensioner patients in public hospitals .. .. .	5.00 p.d.	5.00 p.d.	..
Nursing Home Benefits—			
Ordinary benefit .. .. .	3.50 p.d.	3.50 p.d.	..
Supplementary benefit for intensive care .. .. .	3.00 p.d.	3.00 p.d.	..
Additional benefit for pensioners .. .. .	..	(b)	..
Domiciliary Care Benefit(c) .. .. .	..	2.00 p.d.	2.00 p.d.
Handicapped Childrens Benefit .. .. .	1.50 p.d.	1.50 p.d.	..
Pharmaceutical Benefits .. .. .	(d)	(d)	..
Pharmaceutical Benefits for Pensioners .. .. .	(e)	(e)	..
Medical Benefits .. .. .	(a) (f)	(a) (f)	..
Medical Services for Pensioners .. .. .	(g)	(g)	..
Tuberculosis Allowances—			
Eligible person without dependants .. .. .	21.50 p.w.	23.25 p.w.	1.75 p.w.
Eligible person with dependent child .. .. .	26.25 p.w.	28.00 p.w.	1.75 p.w.
Eligible person with dependent spouse .. .. .	35.25 p.w.	37.75 p.w.	2.50 p.w.
Each dependant child under 16 years .. .. .	4.50 p.w.	4.50 p.w.	..

(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 \$51.50 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 \$51.50 a week and \$54.50 a week are entitled to the same benefits on payment of contributions for health insurance at one-third the usual rates; family groups with incomes between \$54.50 a week and \$57.50 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) Legislation is to be introduced to allow registered hospital insurance organisations to pay a daily fund nursing home benefit to insured patients. The proposed fund benefit may vary from State to State. The legislation will also provide for the Commonwealth to pay an amount equivalent to the relevant fund benefit in the State concerned for nursing home patients entitled to benefits under the Pensioner Medical Service. The present Commonwealth nursing home benefits will continue to be payable in both of these cases.

(c) Legislation is to be introduced to provide for the payment of a Commonwealth benefit of \$2.00 a day to persons who arrange for the provision of nursing care for elderly relatives at home. Certain criteria will determine eligibility for the benefit.

(d) Except for a flat charge per prescription which is payable by patients, the Commonwealth meets the cost of a wide range of drugs supplied on a doctor's prescription to any person in the community. The patient contribution is 50 cents per prescription for those persons eligible to receive assistance under the Subsidised Health Benefits Plan (see (a) above) and \$1.00 per prescription for other persons except that no charge is payable by persons enrolled in the Pensioner Medical Service and their dependants.

(e) 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.

(f) The Commonwealth provides benefits for medical treatment given to contributors to registered medical insurance organisations and the dependants of those contributors.

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

C. HOUSING BENEFITS

As announced in the Budget Speech it is proposed to improve benefits available under the Homes Savings Grant Act. The maximum grant will be increased from \$500 to \$750 and the maximum value of an eligible home will be increased from \$17,500 to \$22,500.

## D. REPATRIATION BENEFITS

	Rate		
	Existing	Proposed 1972-73	Increase
	£ a week	£ a week	£ a week
<b>(1) PAYABLE WITHOUT MEANS TEST</b>			
War Pensions—			
Member—			
Special rate .. .. .	44.50	48.00	3.50
Intermediate rate .. .. .	31.25	34.00	2.75
General rate .. .. .	12.00 max.	14.00 max.	2.00
Wife .. .. .	4.05 max.	4.05 max.	..
Each child(a) .. .. .	1.38 max.	1.38 max.	..
Special Compensation Allowances—			
Certain general rate pensioners with 75 per cent to 100 per cent assessed incapacity .. .. .	4.50 to 6.00	4.50 to 6.00	..
Allowances payable under the Fifth Schedule to the Repatriation Act for certain amputations and/or loss of vision—			
Items 1 to 6 .. .. .	32.50	34.00	1.50
Items 7 to 15 .. .. .	1.70 to 11.20	1.80 to 11.75	0.10 to 0.55
Sustenance Allowance—			
Higher rate .. .. .	44.50	48.00	3.50
Lower rate .. .. .	12.00	14.00	2.00
War Widows—			
Pension .. .. .	18.25	20.00	1.75
Domestic allowance .. .. .	8.00	8.50	0.50
War Orphans Pensions—			
Father dead—			
Each child .. .. .	7.00	7.35	0.35
Both parents dead—			
Each child .. .. .	14.00	14.70	0.70
Attendants Allowances—			
Higher rate .. .. .	16.00	17.50	1.50
Lower rate .. .. .	9.50	10.50	1.00
Education and Training Allowances (payable under Soldiers Children Education Scheme)—			
General, agricultural and industrial education .. .. .	2.18 to 11.25	2.60 to 13.30	0.42 to 2.05
Professional education(b) .. .. .	13.46 or 21.16	13.46 or 21.16	..
<b>(2) PAYABLE SUBJECT TO MEANS TEST—MAXIMUM RATES</b>			
Service Pensions(c)—			
Member—Single .. .. .	18.25	20.00	1.75
Married .. .. .	16.00	17.25	1.25
Addition for each child .. .. .	4.50	4.50	..
Pension for wife (if not a member(d)) .. .. .	8.00	17.25	9.25
First child (if no addition to members pension paid) .. .. .	4.50	4.50	..
Each other child (up to fourth child) .. .. .	0.25	0.25	..
Guardians Allowances—			
Where there is a child under 6 years or an invalid child requiring full-time care .. .. .	6.00	6.00	..
Other cases .. .. .	4.00	4.00	..
Supplementary Assistance—for certain pensioners who pay rent(e) .. .. .	2.00	4.00	2.00

(a) As announced in the Budget Speech, it is proposed to pay war pensions to student children 16 to 20 years in those cases where the children are not in receipt of education living allowances.

(b) Allowances for professional education are the same as those paid under the Commonwealth University Scholarship Scheme.

(c) Service pensions are broadly the equivalent of age and invalid pensions.

(d) As announced in the Budget Speech, it is proposed to extend eligibility for pension, at the married rate, to the wives of all Service pensioners and to pay the husband in such cases pension at the married rate.

(e) As announced in the Budget Speech, it is proposed to extend eligibility for supplementary assistance to married couples who pay rent.