

something for which his family might justly be proud. Much has been said about the qualities he had and of his oratory but he had another quality that many did not seem to realise. He had a great memory for names and the most humble members of the staff, as with many people from all sides of politics, were always surprised when, frequently after a long absence, he remembered their first names and was able to address them in that way. This, in itself, was a capacity which was remarkable for a man with so much on his mind.

I was also a member in those years of vibrancy when he was in the full vigour of life and Minister for Immigration in the war Cabinet. Undoubtedly our immigration scheme, with its great contribution to Australia's development, must go down as his greatest memorial as a member of this Parliament and as a citizen. Those who like oratory and Australianism should read his speeches during the early days of immigration, particularly his speech on the Citizenship Bill. They will see running throughout his speeches Australianism of the highest calibre. Those speeches, well written and well delivered, are an inspiration to all who have a nationalistic or patriotic spirit.

I do not wish to say more at this stage except that one of my colleagues mentioned to me one of the quips Mr Calwell made on one occasion. It is a quip which lingers in the memory of some honourable members. The late Archie Cameron was in the Chair and Arthur addressed him as chairman. Archie said: 'I am not a chairman' and Arthur replied: 'I know you are not, but I thought I would pay you the compliment'. Having said so much, I join with others in expressing to his wife and family my deepest sympathy and my respect for a colleague I liked and respected in every way and whose absence I mourn with all other honourable members.

Mr DONALD CAMERON (Griffith)—This is the first occasion in 7 years that I have risen to speak on a condolence motion. It is something none of us treats lightly. Unlike the previous 3 speakers, I was not here in the days when A. A. Calwell was Minister for Immigration. I arrived at the time of his twilight on the national stage. I believe that I speak for a generation which was particularly harsh on the right honourable member in its judgment of him. As a person who in the last few years had an opportunity to get to know him quite well personally I express thanks for being given the opportunity to know the man well and to recognise that he had one quality perhaps above all other qualities—the quality of tremendous integrity. Despite differences which may have

existed politically, no one will ever take from him his honesty or his integrity.

Question resolved in the affirmative, honourable members standing in their places.

Mr SPEAKER—Thank you, gentleman.

Mr D. R. R. Munro

Mr WHITLAM (Werriwa—Prime Minister)—I move:

That this House expresses its deep regret at the death on 20 June 1973 of Dugald Ranald Ross Munro a member of this House for the division of Eden-Monaro from 1966 to 1969, places on record its appreciation of his meritorious public service and tenders its profound sympathy to his widow and family in their bereavement.

Dugald Munro served only one term in this Parliament. In that time he endeared himself not only to his fellow members but also to the staff around this building as a man of great charm, openness and attractiveness. He, too, represented special Australian qualities—the qualities of his own generation. The death of a young family man of promise must in any circumstances be deeply saddening and, in the appalling circumstances of Dugald Munro's death, most sad, most horrible. Party considerations apart, from his defeat in 1969 I have always entertained the hope that he might once again adorn this place and certainly, if not as a member, render further service to our nation. It was not to be. His family have a very special place in our sympathies as he has in our memories.

Mr SNEDDEN (Bruce—Leader of the Opposition)—I would like to second the motion moved by the Prime Minister relating to Dugald Ranald Ross Munro. We were speaking earlier of Arthur Calwell and his Celt blood. Dugald Ranald Ross Munro is a fine name indeed. All of us were deeply saddened to hear of the tragic death of Dugald Munro and the almost freakish circumstances that caused that death on 20 June last. All of us feel deeply for his wife and 4 children. In these tragic and unforeseen circumstances they lost a husband and a father who was so young in years, spirit, attitudes and action, a man of such high integrity and principle. Their loss will be hard for them to bear and comfort will be difficult for them to achieve. On behalf of my colleagues in the Liberal Party, I offer Mrs Munro and her children our deepest condolences and the comfort of her knowing that we know and understand their sorrow.

Dugald Munro's service to the Parliament was brief—only one term of Parliament—but nonetheless it was of consequence. He was an able debater. He made a mark in those 3 years. He was always around the House. He was very active, especially in the committees of the

government parties of the time, and after he left the Parliament he retained his interest in the Liberal Party and continued to serve the Liberal Party. He took the seat of Eden Monaro in 1966. In those elections he succeeded the late Allan Fraser, who was well known and respected in this House. Dugald Munro admired the contribution that had been made by Allan Fraser and sought earnestly to continue that contribution. He had a commitment to the future of Australia. As he put it himself in his maiden speech on 21 February 1967:

I hope we can continue to build a great country here. May we always believe that with some wisdom, firm resolve, hard work and a little bit of luck—

I interpolate to say that that is one commodity which in the end he did not have—

we may continue to build a country in which we all can be happy and proud to live.

That was Dugald Munro's hope. It is one which we all shared with him and which we will try to achieve for those he has left behind.

Mr ANTHONY (Richmond—Leader of the Australian Country Party)—I should like to join with the Prime Minister and the Leader of the Opposition in expressing the sympathy of members of the Australian Country Party who served with Dugald Munro during his 3-year period in this Parliament. When we heard the ghastly news of his tragic death we were very moved and felt indeed sorry for his family. Dugald Munro will be remembered as a likeable, attractive, friendly person who took a keen interest in the activities of this House. It seemed almost that he had found his calling in life. He loved the Parliament and participated in debates and committees, as the Leader of the Opposition mentioned. In this period of sad bereavement for his widow and family I should like to express our deepest sympathy.

Mr WHAN (Eden-Monaro) (4.0)—I would like to couple my tribute to Dugald Munro with that of Allan Fraser, who is not, as the Leader of the Opposition (Mr Snedden) implied, dead. Allan Fraser held a great regard for Dugald Munro's friendship and found that although he was his direct political protagonist in Eden-Monaro his political fight with Dugald Munro could always be conducted on a proper personal basis, each paying due regard to the integrity of the other. Allan Fraser believed that only he, because of his previous experience—some 23 years experience in representing that electorate—who electorate—could possibly win Eden-Monaro back from Dugald Munro, and it was for that reason that Allan Fraser ran again for the electorate in 1969.

Eden-Monaro is an electorate which is not particularly impressed with headlines in newspapers. There are over 50 population centres throughout the area. Unless one visits these centres and talks to the people in the individual areas one makes very little impression indeed. I think that one of the greatest tributes that can be paid to Dugald Munro is that the people in nearly every one of the population centres throughout that electorate remembered him before his death. They were able to make comments about Dugald Munro's contribution to their community, which demonstrates beyond doubt not only that he played an active role in this place but also that he played an active role throughout the diverse electorate of Eden-Monaro. He gave great attention to detail, and I think that in many respects when he left this House and became a student this attention was reflected in his interests in the university studies that he took up.

His loyalty to his own leaders was manifest in all sorts of ways. It came through in his defence in the electorate of the policy of the Government at the time he was a member and also in the way in which he championed many policies which in some regards were opposed to the interests of the people of his own electorate. In a sense this loyalty was one of the things he had to defend probably to the greatest extent throughout the electorate. He stood behind his leaders. The loyalty that led to this stand was recognised by the electors of Eden-Monaro and it is something they remembered vividly as they read the terrible news of his death. I express my sympathy, and I couple with this expression that of Allan Fraser's, to his wife and family. We all feel the loss incurred by Dugald Munro's departure from our midst.

Mr Snedden—I am very glad that I have been now informed correctly about something on which I was previously wrongly informed, and that is the state of health of Allan Fraser. I am very glad that I was wrongly informed, and I hope that he will understand that I was not in any way foretelling doom. I do not in any way retract the statement I made that Dugald Munro had a very great admiration for Allan Fraser and had hoped to carry on the work that Allan Fraser had done.

Mr HUNT (Gwydir) (4.3)—I would like briefly to pay a tribute to the late Dugald Munro and convey my sympathy to his wife and members of his family. Although he served as a member representing Eden-Monaro, he was a member of a well-known family which pioneered the Moree district, which happens to

be my home district. His father was known as a truly great horseman, a great cattleman and a great figure in that part of New South Wales. Dugald Munro's death removes from among us an outstanding man in the prime of his life, a man who had a warm and dedicated public spirit. His death represents a great loss to the community that he loved so much.

Mr LYNCH (Flinders)—I join in the tribute so generously paid by the Prime Minister to the memory of the late Dugald Munro. As one who entered the House with him in 1966, I came to know Dugald very well and in a most personal way. He was at all times a frank man, a man of great charm and humour, a man of outstanding dedication to the best interests of Australia, a man with a great sense of public service to this country. I am certain that all members of this House mourn the fact that he died in such tragic circumstances. I convey my sympathy to his wife and young family.

Question resolved in the affirmative, honourable members standing in their places

Mr SPEAKER—Thank you, gentlemen.

The Honourable Sir Walter Cooper, M.B.E.

Mr WHITLAM (Werriwa—Prime Minister and Minister for Foreign Affairs)—I move:

That this House expresses its deep regret at the death on 22 July 1973 of the Honourable Sir Walter Cooper, M.B.E., a senator for the State of Queensland from 1928 to 1932 and from 1935 to 1968, a Minister of the Crown from 1949 to 1960 and a former Leader and Deputy Leader of the Opposition and Leader of the Australian Country Party in the Senate; places on record its appreciation of his long and meritorious public service; and tenders its profound sympathy to his widow in her bereavement.

In style, background and allegiance one could scarcely find 2 such contrasting contemporaries as the late right honourable member for Melbourne and Senator Sir Walter Cooper. In very different ways they represented the same essential quality. The brand of authentic Australians was upon each, though Sir Walter Cooper was by birth an Englishman. Sir Walter epitomised the best of the Anzac generation. In his career, his demeanour, his bearing, his conduct to his colleagues and his opponents he was in the truest and best sense an officer and a gentleman.

He had particular need of those qualities when, from 1947 to 1949 he found himself Leader of the Opposition and Leader of the Country Party in the Senate in an Opposition of 3 through the accident of an unreconstructed electoral system. There was, however, no accident or mystery in the fact that he was the longest serving Minister for Repatriation and, apart from his Prime Minister, Sir Robert Menzies, the longest

serving Minister in any single portfolio in the history of the Parliament. He brought to that particular Ministry a wealth of experience and personal knowledge of the problems of repatriation and rehabilitation, and a particular sensitivity to the needs of returned men and their families. He established a special relationship between the Department and the Service organisations which remains and will remain a feature of the Australian repatriation system.

Mr SNEDDEN (Bruce—Leader of the Opposition)—Mr Speaker, I support the motion moved by the Prime Minister. On behalf of the Liberal Party I would like to extend my sympathy to the widow of Sir Walter Jackson Cooper. Sir Walter was one of the most distinguished of all who have served in the Senate. He was, as the Prime Minister said, Leader of the Australian Country Party in the Senate and at one time was in an Opposition of three. His period of service was long and valuable. It extended for 37 years. When he retired from the Senate in 1968 he had been a senator for a significantly longer period than half the life of the Senate. During that time he had seen Australia grow as a nation. He had witnessed enormous development of Australia and its people. He had played a major part in that development. His life inside and outside the Parliament marked him as one who made a great contribution to Australia.

He arrived in Australia from England at the age of 19. Within three or four years, as a young man in his early twenties, he joined the Australian Imperial Forces. He saw action at Gallipoli, in Egypt and in France. At the age of 25 he lost his right leg. The determination he displayed in overcoming that disability is a fine example of his courage. Sir Walter entered the Parliament in 1928 and maintained throughout a deep commitment and dedication to the needs of ex-servicemen. He was Minister for Repatriation for a record term of 11 years, as has been said, and in that post he made a singular contribution. I have recalled Senator Sir Walter Cooper's outstanding achievements. He was often referred to as the father of the Senate. We are grateful for the service he so tirelessly and assiduously gave. We extend to his wife our deepest sympathy on the loss she has suffered.

Mr ANTHONY (Richmond—Leader of the Australian Country Party)—I thank the Prime Minister and the Leader of the Opposition for their very kind remarks about the late Sir Walter Cooper. Sir Walter was one of the pioneers of the Australian Country Party and had a very distinguished parliamentary record. He was associated with the Senate for a period of 40 years, a

remarkable achievement for one man. Within that period for 3 years he was not a member of the Senate so that he served for a period of 37 years. He had the further distinction mentioned by the Prime Minister that he held the post of Minister for Repatriation for 11 years, the longest term for which that portfolio has been held in Australia. I would like to pay a special tribute to his wife. She was of enormous help and a great companion to Sir Walter. I express to her the deepest sympathy of the members of my Party.

Sir Walter Cooper was unfortunate in losing his leg in World War I, but the loss did not inhibit him in any way. He still maintained a very active sporting career although he had lost a leg. We in the Country Party will remember him for his devotion to this country and to his Party. He was a gallant gentleman who served his country well.

MR SPEAKER—The question is that the motion moved by the Prime Minister be agreed to. I ask honourable members to signify their approval by rising in their places.

(Honourable members having risen in their places.)

MR SPEAKER—Thank you, gentlemen.

DIVISION OF PARRAMATTA

MR SPEAKER—I have to announce that on 11 July 1973 I received from the honourable Nigel Hubert Bowen, Q.C., a letter resigning his seat as member for the division of Parramatta. On 14 August I issued a writ for the election of a member to serve for the electoral division of Parramatta in the State of New South Wales to fill the vacancy caused by the resignation of the honourable gentleman. The dates in connection with the election were fixed as follows: Date of nomination—Friday, 31 August 1973; date of polling—Saturday, 22 September 1973; date of return of writ—on or before Friday, 19 October 1973.

MR NIGEL BOWEN, Q.C.

MR WHITLAM (Werriwa—Prime Minister)—by leave—I am sure that honourable members would want me to express the appreciation of the House of the services which the former member for Parramatta, Mr Nigel Bowen, rendered to the Parliament, and particularly while he was a Minister, to the nation. Mr Nigel Bowen brought to the Parliament and his Party great distinction. He served them both with great distinction. He was admitted to the New South Wales bar in 1936. He took silk in 1953 and was the distinguished editor of the 'Australian Law Journal' for 12 years, from 1946

to 1958. From 1957 to 1960 he was Vice-President of the Law Council of Australia and from 1959 to 1961 he was President of the Bar Council of New South Wales. I might add that some 35 years ago he was my first tutor in law. I hesitate to say this because I must acknowledge that he took every care but does not accept any responsibility for my subsequent career.

Nigel Bowen came to this Parliament as an outstanding legal practitioner among practising barristers before the courts. His services were eagerly sought by clients in many States and in all the most important cases before the courts. I need not recount his career in the Parliament and in government because they are still fresh in the minds of honourable members. Last year he could have been appointed to the High Court. With remarkable selflessness and typical loyalty he declined. Earlier this year he was almost elected leader of his Party. He has now returned to his first love, the law. He is a very fitting appointment as a judge of the New South Wales Court of Appeal. He will bring great distinction and dedication to his new field of service.

MR SNEDDEN (Bruce—Leader of the Opposition)—Mr Speaker, I seek leave to make a statement.

MR SPEAKER—Is leave granted? There being no objection, leave is granted.

MR SNEDDEN—I am glad that the Prime Minister has seen fit to pay a tribute to Nigel Bowen. I am glad also that we understand that this is not to be in any way an obituary; it is quite the contrary. Nigel Bowen departed from here in the greatest of good health. The last time I saw him, which was very recently, he was in robust good health, apparently enjoying the release from the strains of political office. Those on this side of the House who served with Nigel Bowen knew him to be a very fine colleague. When he came into this Parliament he did so, as the Prime Minister has said, an established man. I think it is worth mentioning that in his contribution to this nation in this Parliament he forwent a very great deal of income that he would otherwise have earned at the Bar. But he accepted that difficulty.

Nigel Bowen was able in all his posts. He will long be remembered as Attorney-General. There has never been a better equipped Attorney-General than Nigel Bowen. But probably his most recent post as Minister for Foreign Affairs will be the one for which he will be best remembered. He was also Minister for Education and Science. He was a warm and humane man who was highly regarded in his electorate and by both sides of the House. He never lost the real legal

capacity that he possesses. It is true that he was in every sense qualified to be a member of the High Court of Australia and he would have graced that Bench as he will grace the Bench—the New South Wales Court of Appeal—on which he now sits. I am glad to say that people of any political persuasion can serve in this Parliament and notwithstanding that service can go to judicial office and enjoy the respect and confidence of everybody in this Parliament. The people have good cause to rest their faith in Nigel Bowen.

PETITIONS

The Clerk—Petitions have been lodged for presentation as follows and copies will be referred to the appropriate Ministers:

Lake Pedder

To the Honourable, the Speaker, and Members of the House of Representatives in Parliament assembled.

The humble petition of the undersigned citizens of Australia respectfully sheweth:

- (a) That Lake Pedder, the heart of the South-West National Park of Tasmania is now being flooded as a consequence of the Gordon River Power Scheme.
- (b) That Lake Pedder is one of Australia's foremost natural assets and part of the inheritance of all Australians.
- (c) That the International Union for the Conservation of Nature and Natural Resources, Morges, Switzerland, the world's leading conservation organisation, has requested our Commonwealth Government to secure Lake Pedder in its natural state. This request is supported by numerous other international conservation organisations.
- (d) That 220 independent conservation societies throughout Australia support the restoration of Lake Pedder.

Your petitioners therefore humbly pray that the members in Parliament assembled will move to make available to the Tasmanian Government a special grant for the purpose of securing Lake Pedder in its natural state.

And your petitioners as in duty bound will ever pray.

by Mr Barnard, Mr Crean, Mr Clyde Cameron, Mr Grassby, Mr Enderby, Dr Cass, Mr Snedden, Mr Gorton, Mr Adermann, Mr Coates, Mr Collard, Mr Davies, Mr Edwards, Mr Fisher, Mr Fox, Mr Malcolm Fraser, Mr Garland, Mr Garrick, Mr Holten, Mr Hurford, Mr Keogh, Mr McKenzie, Mr Oldmeadow, Mr Staley and Mr Wentworth.

Petitions received.

Aboriginal Affairs

To the Honourable the Speaker and Members of the House of Representatives in Parliament assembled:

We the undersigned believe the Aborigines' Act 1971 and Torres Strait Islanders' Act 1971 of Queensland, together with the Regulations of 1972 pertaining to those Acts to be the most repressive and discriminatory legislation existing in Australia.

We urge the Federal Government most strongly to take responsibility for Aboriginal Affairs out of the hands of all State Governments and call for the total abolition of the said Acts.

And your petitioners, as in duty bound, will ever pray.

by Mr Bryant.

Petition received.

ELECTORAL BILL

Notice of Motion

Mr DALY (Grayndler—Minister for Services and Property)—I give notice of my intention to present at the next sitting a Bill for an Act relating to the distribution of States into electoral divisions.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr SNEDDEN—My question is addressed to the Prime Minister. The Prime Minister has said that the record of conversation made by Sir John Bunting and by his own principal private secretary Dr Wilenski bears out the Prime Minister's statement that no complaint was made to the Prime Minister by the Director-General of the Australian Security Intelligence Organisation on 17 March last concerning the events of the day before, 16 March. Will he table those records of conversation? Will he also table such records of conversation as the Director-General, Mr Barbour, made.

Mr WHITLAM—No, I will not table the notes of conversation which the Secretary of my Department made or which my principal private secretary made. I do not know whether the Director-General of Security made a record of conversation. The right honourable gentleman might like me to incorporate in Hansard a letter which the Director-General sent to the Attorney-General yesterday and which the Attorney-General has given to me. He has declassified it.

Mr SPEAKER—Is leave granted?

Mr Snedden—May I see it?

Mr Clyde Cameron—I take a point of order. I ask the Prime Minister to table the document from which he has just quoted.

Mr WHITLAM—I want it incorporated.

Mr SPEAKER—Order! Does the Leader of the Opposition give leave to incorporate the document in Hansard?

Mr Snedden—I wish to see the document first.

Mr WHITLAM—I have to table it now that I have been asked to do so.

Mr SPEAKER—The document is tabled and is available for persual.

HOUSING: VICTORIAN HOUSING COMMISSION RENTALS

Mr KEITH JOHNSON—My question is addressed to the Minister for Housing. Is he aware of a statement made by the Victorian Minister of Housing, Mr Dickie, that Housing Commission rents will rise by \$3 a week, that pensioner tenants' rents will rise savagely and that these increases have been forced upon the Victorian Government by the Federal Government because of the terms of the recently concluded Commonwealth and State Housing Agreement? Did Mr Dickie indicate at any time before or during the conference that rents for Housing Commission tenants and/or pensioners in Victoria would rise after the Victorian State elections?

Mr LES JOHNSON—I think the simple answer is that the Commonwealth and State Housing Agreement has not yet been signed. The Victorian Minister has announced his intention to increase the rents of 45,000 tenants by, I think, \$3 a week prior to the Agreement being signed. In the Agreement there is a provision requiring the States to review rents annually. I took the view that this was desirable rather than having a triennial approach to the problem which resulted in people being required to meet large increases in rents. I do not disparage the fact that the Victorian Minister has found it necessary to increase rents. What I do disparage is his tendency to blame the Commonwealth Government, particularly in the light of the proposed Commonwealth and State Housing Agreement. As I understand it he is attempting to mislead the Victorian people by asking them to believe that it is because of the new Commonwealth and State Housing Agreement that the rents are to be increased. The fact of the matter is that under this Agreement the allocation of funds has gone up to \$218m as against \$166m for the previous year. Victoria's allocation has been increased from \$39m to \$53m at a concessional rate of 4 per cent instead of the 6 per cent which would have been paid if the Agreement had not been introduced. In any case, under this agreement, the Victorian Government has received everything it has asked for. Without this agreement the tenants in Victorian Housing Commission homes would be subjected to a much greater rental than is proposed at present. I feel very sorry that the Victorian Housing Minister is continuing to misconstrue the facts associated with this agreement. I think that he ought to face up to the matter as the New South Wales Government does. He is saying now that the Victorians ought to cut even. The fact is that in New South Wales

the Housing Commission has been subsidising rents to the extent of \$2.5m or more a year in order to ensure that low income people are not subjected to a rental rate which exceeds their paying capacity.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr LYNCH—I ask the Prime Minister: Why was the raid on Australian Security Intelligence Organisation, to quote the words which he himself used in his recent television performance, 'the worst mistake of the Labor Government'?

Mr WHITLAM—Because the present Government is not accident prone.

IMMIGRATION POLICY

Mr MULDER—Will the Minister for Immigration give special consideration to the people who came to Australia on tourist visas under the policies of the previous Government because they were not eligible to apply for immigration? Is the Minister aware that all these people would be eligible to settle in Australia permanently under the present criteria? Will the Minister consider their cases separately from those people who come as tourists under the new rules?

Mr GRASSBY—I realise the problem to which the honourable member has referred. It had been raised with me by honourable members on both sides of the Parliament. It is the problem of people who have come here as tourists in the past few years and, in defiance of their original visa arrangements, have taken employment, probably have a firm place in the society, have gained extension after extension and of course are here now. As Minister for Immigration I am faced with the fact that they have established themselves. They came as tourists and have freely confessed this. They came in this way because under the old policy in many cases they would not have been eligible for consideration as migrants. I have tried to look at their cases on an individual basis and take into account the previous policy and how they would be received under the present criteria. In the last few months a number of decisions has been made that have given permission for such people to stay in Australia. This has been in response to representations, I repeat, from honourable members on both sides of the Parliament. I have been happy to do that and will continue to do it in relation to those people who came under the previous criteria. But I want to stress to all members of the Parliament at this time that on 1 September there will come into operation in Australia, in relation to tourists, a completely new system

which will enable people to come to this country with the minimum of red tape, with the minimum of inquiry and with the maximum of help from the Australian Government. Of course, those people will be expected to honour the terms of their visa agreements and to leave on the completion of their visits. I make it quite plain that after 1 September we will expect those people who travel to Australia under the new procedures, which are the easiest that can be devised—and we will welcome all who take advantage of them—to honour their undertakings and to return at the end of the period specified. We will give consideration to the individual cases of persons who came here under the previous criteria as each case comes before us.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr SINCLAIR—Did the Prime Minister in a recent television interview—if I may say so, this seems to be his presently preferred forum for national policy comment—when questioned about a telex message from the Australian Security Intelligence Organisation refer in derogatory tones to the security of Australian security forces? Does he hold the same views on the security of his own Cabinet over the publication of the Coombs Report? What action has he taken to identify the origins of this appalling breach of Budget privacy? Does the Prime Minister accept the Westminster doctrine of ministerial responsibility? If so, why has he not taken appropriate action against the Attorney-General and the Treasurer as the 2 Ministers responsible administratively respectively for ASIO and the Budget?

Mr WHITLAM—I realise the difficulties of liaison between the Country Party and the Liberal Party. I remember that the Leader of the Liberal Party, the Leader of the Opposition, at a convention of the Queensland Liberal Party on 20 July at Surfers Paradise—a good place to hold a convention—made a speech in which he called for the immediate open publication of the Coombs Report. Whatever the character of the Coombs Report may be, one cannot ask on one hand for its full and open publication and on the other hand complain about some publications from it.

Mr Snedden—Go on! You cannot expect us to accept that.

Mr WHITLAM—I have brought the Leader of the Opposition in to help his junior, junior colleague. Of course, the Leader of the Opposition later asked for the Budget decisions to be announced because there are some leaks about the Coombs Report. The Coombs Report is not a

Budget document although, as I said some months ago and as all honourable gentlemen will find tonight, it will be tabled at the same time as the Budget papers.

PROPOSED SECOND INTERNATIONAL AIRPORT AT SYDNEY

Mr REYNOLDS—Is the Minister for Transport and Minister for Civil Aviation aware of the fierce opposition of the residents of the southern areas of Sydney to any proposal to build the city's second major airport at Towra Point on the foreshores of Botany Bay? Have the 4 local government councils of Kogarah, Rockdale, Hurstville and Sutherland Shire, along with many other civic and community organisations representing probably nearly half a million citizens, expressed such determined opposition? If so, will the Minister ensure that full consideration is given to the attitude of these people who have suffered the inconvenience of Mascot Airport for years when a decision, soon to be made, is taken on the four or five sites to be included on the short list for further intensive investigation? When does the Minister expect to announce the list?

Mr CHARLES JONES—How long have I to reply, Mr Speaker? I appreciate the question from the honourable member for Barton. He is one of the members who have been very keenly interested in the second Sydney airport and the Towra Point area. He has made reference to a number of local government authorities. I think he omitted to mention some of his own colleagues who have made numerous representations to me and, I know, to my predecessors about Towra Point. I refer to the honourable member for Hughes, the honourable member for Cook and the honourable member for St George. All of these people are keenly interested in this matter. I could go further and draw attention to the opposition of the honourable member for Chifley and the honourable member for Mitchell to the siting of the airport at Richmond. The whole question of the second Sydney airport is one of great controversy. I am pleased to inform the honourable member for Barton that the first stage of the report has been completed. I have received a copy of it and a submission has been made to Cabinet. If we had had time to discuss it in the Economics Committee today it would have been dealt with today. I am hopeful that it will be dealt with at an early date. It contains some specific recommendations concerning a second Sydney airport.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr SNEDDEN—I ask leave to incorporate in Hansard the document which was tabled by the Prime Minister a short while ago. It is a declassified letter and bears the typewritten signature 'P. Barbour'. One assumes it is from him. It is a copy and bears the reference 50,008.

Mr SPEAKER—I remind the honourable gentleman that this is question time. This could quite easily be done after question time. Does the honourable gentleman wish to ask a question as well as have this letter incorporated?

Mr SNEDDEN—I wish to ask a question as well but first I ask leave to have this letter incorporated in Hansard.

Mr SPEAKER—Is leave granted? There being no objection, leave is granted.

The document read as follows —

CONFIDENTIAL

AUSTRALIAN SECURITY INTELLIGENCE ORGANIZATION

Box 5105 BB, G.P.O.
Melbourne
Victoria 3001

50 008

20 August 1973

Dear Attorney-General,

Certain newspapers have published what purports to be the text of a telex message sent to ASIO staff.

2. Late on 28 March in Canberra I drafted and issued a telex message to ASIO staff. The message was issued in response to advice that members of staff were concerned to obtain clarification from me of a number of matters relating to the events of 16 March. In any case, I was myself mindful of the need to stop incorrect speculation and rumour which appeared to be developing among the staff. It should be appreciated that some of these matters emerged or became clear only during the Parliamentary sessions on 27 and 28 March.

3. One matter was the question of a complaint. The word 'complaint' appears in the message only as a heading and in order to refer in short form to the question asked in the House earlier in the day by the Leader of the Opposition. There was no reference to a complaint, or use of the word, in the telex message itself. This item was an attempt to convey in brief form the gist of my remarks. It does not claim to contain the actual words I used to the Prime Minister.

4. My meeting with the Prime Minister on 17 March took place at my request. I wished to ensure that the Prime Minister was fully informed as to the events of the previous day—in particular the use of police. Also, I was seriously disturbed about the future of the Organisation and the implications for security in Australia. I discussed these matters with the Prime Minister. I said during the course of the discussion that I had not come to complain about the Attorney-General.

5. The unauthorised disclosure of a secret telex message is a matter of serious concern to me. When it became apparent that some person or persons outside ASIO had access to it, I immediately instituted an investigation within the Organisation. To date the source and means of disclosure have not been established. All members of staff have been informed that

unauthorised public disclosure of official matters will not be tolerated.

P. BARBOUR

Senator the Honourable Lionel Murphy, Q.C.,
Attorney-General,
Parliament House,
Canberra, A.C.T.

Mr SNEDDEN—By way of introduction to my question I read one sentence from the letter. It says:

Late on 28 March in Canberra I drafted and issued a telex message to ASIO staff.

The Director-General of ASIO said that he drafted and issued the telex message on 28 March. I ask the Prime Minister: Was the telex message that was drafted and issued by the Director-General of Security in the same text as that which has been published in the newspapers?

Mr WHITLAM—There have been various versions given of a telex message. I am not prepared to confirm or deny which is the correct one or how far any of them are correct. This is a matter which is being inquired into by a Senate select committee and it would seem the proper course to put on notice any questions concerning this matter, if it is raised in this House at all.

FOREIGN INVESTMENT IN AUSTRALIA

Mr KEATING—I address my question to the Treasurer. With the widening disparity between the value of the United States dollar and the Australian dollar there would be a tendency for Australian-based United States subsidiaries to raise capital in Australia by debentures and other means. I ask the Treasurer what is his attitude to this type of borrowing. Would he see such raising as bidding up the general level of interest rates, given that the gap between bank interest and the current rate of inflation is widening or, for that matter, the disparity between the bond rate and the current rate of inflation is widening? Does he regard an upward movement in interest rates as being necessarily a bad thing? Does he believe that higher interest rates would slow business expansion, encourage savings, dampen demand and ease inflationary pressures?

Mr CREAN—In answer to the first part of the question, as the honourable member knows the present Government closely scrutinises the entry of any capital to Australia from overseas. We have guidelines regarding particular sources. We deny access entirely in certain other areas. We have the variable deposit scheme to act as a barrier generally. I suggest that in view of the nature of the question I will treat it as a question on notice and give a fuller reply later.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION: TELEX MESSAGE

Mr SNEDDEN—My question is directed to the Prime Minister. If there is speculation as to which was the correct version in the newspapers of the telex message from the Australian Security Intelligence Organisation, will the Prime Minister table the telex message? If he will not table the telex message, will he give the reasons for not doing so? Will he agree that, as he has given his version of the conversation with the Director-General on 17 March, when the Director-General goes before the Senate Select Committee on Civil Rights of Migrant Australians he ought to be free to give his version of the conversation he had with the Prime Minister on 17 March?

Mr WHITLAM—The Director-General of Security and I both realise that it is quite improper and it is unprecedented to reveal and to publicise security documents or conversations concerning security.

DEPARTMENT OF IMMIGRATION: APPOINTMENT OF MULTI-LINGUAL WELFARE OFFICERS

Mr DOYLE—Is the Minister for Immigration aware that there is considerable anxiety among applicants for positions as multi-lingual welfare officers with the Department of Immigration at the delay in finalising the appointments? Will the Minister take action to finalise the appointments without further delay so that the additional much needed services to migrants can be provided and the expectant applicants can have their uncertainty ended?

Mr GRASSBY—The honourable member and other honourable members have been very anxious about these appointments, and I can understand why. We received 600 applications for 48 appointments and they came from every State of the Commonwealth and included an array of talent which speaks well for the Australian people at this time. The selections by the Department of Immigration have been completed and the appointment action by the Public Service Board is taking place now in all States. There have been 48 selections made and the appointments are in process. They cover people from 17 different origins and between them they will have 24 languages which, again, is a pretty good indication of the talents we have in the community. I would hope that the procedures would be completed and the appointees would be in training for their jobs by next month.

FINANCIAL ASSISTANCE TO LOCAL GOVERNMENTS

Mr O'KEEFE—I ask the Minister for Urban and Regional Development a question. Is it true that some local government councils have already made approaches to the local government grants commission and received financial assistance? If not, have some local government councils been promised financial assistance for certain projects? Can the Minister inform the House of the exact position at present in respect of this local government assistance measure?

Mr UREN—Yesterday I made a statement to the effect that the regions for applications by local governments for assistance under the Grants Commission would not be ready for at least 3 months. Of course, there will be provisions directly relating to this in the Budget, but they will be revealed by the Treasurer tonight.

THIRTIETH ANNIVERSARIES OF MR JOHN CURTIN AND MR DALY

Mr FITZPATRICK—Is the Prime Minister aware that today is the thirtieth anniversary of the assumption of government of one of Australia's greatest Prime Ministers, John Curtin? Is the Prime Minister also aware that this is the thirtieth anniversary of the election to Parliament of the Leader of the House? Will the Prime Minister consider the erection of an appropriate national monument to John Curtin, who saved our country from invasion in World War II, so that future generations of Australians can pay their tribute?

Mr WHITLAM—Today is the thirtieth anniversary of the re-election of the Curtin Government—the election of the Australian Labor Party to govern in its own right. It is also, as the honourable member is kind enough to recall, the thirtieth anniversary of the election of the father of the House—the Leader of the House. I will consider the honourable gentleman's suggestion. I must say, however, that I believe the monument of achievement that John Curtin erected in the history of this country is more enduring than any material monument that we could devise.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr SNEDDEN—Does the Prime Minister deny that the only reasonable construction that could be put on the words 'unprecedented', 'extraordinary' and 'gravely damaging to ASIO and to the national security interest' is that a complaint was being made?

Mr WHITLAM—There was no complaint. The right honourable gentleman asked a question on 28 March, about whether a complaint or complaints had been made to me and in his second sentence he asked:

If the answer is yes, will he table the letter or other document in which the complaint or complaints were made?

There was no letter or other document in which any complaint was made. The Director-General of Security not only made no oral complaint to me when he called the day after the police visit to the Australian Security Intelligence Organisation headquarters in Melbourne but on the contrary said that he had not come to complain about the Attorney-General.

Mr Snedden—Did he use those words?

Mr WHITLAM—Yes, and I believe they are repeated in the letter which I sought leave to incorporate.

Mr Snedden—Did he use those words?

Mr WHITLAM—Yes, he did.

Mr Snedden—He used them?

Mr WHITLAM—He said that he had not come to complain about the Attorney-General.

Mr Snedden—Did he use the words 'unprecedented', 'extraordinary' and 'gravely damaging to ASIO'?

Mr WHITLAM—No, he did not. I have said that already publicly. He did not use those words. I am not only relying on my own memory in saying that he did not use those words; I am also relying on the fact that notes which were taken by the Secretary of my Department and my principal private secretary do not note any such words. The Director-General has given evidence before the Senate Select Committee on the Civil Rights of Migrant Australians. That evidence shows that he deliberately distinguishes between making complaints and expressing concern. He was questioned at length. He was quite deliberate and consistent in making that distinction. He called on me to find out from me where he and his organisation stood in the light of the police visit. In particular, he expressed concern about access to information from other agencies and from individuals whose confidences he and the Organisation had undertaken to respect. His call on me was for constructive purposes and he spoke constructively. I believe I responded constructively. His sworn evidence before the Senate Select Committee shows that his concern has been allayed.

TASMANIAN SHIPPING SERVICE

Mr DUTHIE—Is the Minister for Transport aware that a strike by engineers which began yesterday has tied up all Australian National Line ships again? In view of Tasmania's almost total dependence for its economic survival on shipping, 80 per cent of which is supplied by ANL, will the Minister confer with the President of the Australian Council of Trade Unions in an endeavour to have sufficient ANL ships released from the strike to maintain essential services to Tasmania, especially for the shipment of perishables, as we have no rail or road alternatives such as are available on the mainland?

Mr CHARLES JONES—The honourable member would be aware that the Australian Council of Trade Unions has a policy that at all times it will endeavour to ensure that communications by sea between Tasmania and the mainland are maintained. The Australian Institute of Marine and Power Engineers was due to appear before Mr Justice Sweeney this afternoon at 3 o'clock. I do not know the outcome of those discussions or whether they have been fruitful but, in the event of the strike continuing, I assure the honourable member that I will draw the attention of Mr Souter and Mr Hawke to the 1971 statement which they made concerning Tasmania.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr SNEDDEN—I ask the Prime Minister: Did the Director-General of Security in the telex which he says he drafted and issued to the ASIO staff use the words 'unprecedented', 'extraordinary' and 'gravely damaging to ASIO and to the national security interests'?

Mr WHITLAM—I repeat that the telex, or reported telex, must clearly be a document from the Australian Security Intelligence Organisation. I believe that no document from that Organisation has ever been tabled. I believe that no such document has ever been quoted and I believe that it would be quite unprecedented and wrong for me to confirm or deny the text of any document emanating from ASIO. If it is proper for this document to become public then the Senate select committee which has referred to it or to reports of it should take steps to get it made public.

AUSTRALIAN HONOURS LIST

Mr KEOGH—Has the attention of the Prime Minister been drawn to the publication during the parliamentary recess of an honours list sponsored by certain of the Premiers who still quaintly regard themselves as leaders of

sovereign States instead of parts of the nation? If these honours were of the type correctly rejected by the Australian Government as no longer fitting for Australian citizens, can he tell honourable members what action the Government has taken to introduce an Australian honours system and when he expects to make an announcement of its introduction?

Mr WHITLAM—I do not believe it appropriate for me to make a comment about the relations which the States, which are British colonies, have with the British Government concerning the award of British honours. The Australian Government does not believe it appropriate to give titles and it does not believe it appropriate to give awards which have some Imperial connotation. The Australian Government has recommended to the Queen of Australia that she confer awards on members of the armed forces or the uniformed services for outstanding service in period of gallantry. The Australian Government has not given its time to devising any form of Australian awards. It may be that it is appropriate to have awards of a distinctly Australian character for members of the armed forces or uniformed services. I must confess, however, that my colleagues and I have been engaged in matters of greater priority.

Mr SPEAKER—So I miss out, do I?

Mr WHITLAM—Dame Myrtle will receive one.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr SNEDDEN—Has the Prime Minister had any conversation or conversations with the Director-General of the Australian Security Intelligence Organisation, Mr Barbour, in which he, the Prime Minister, raised the possibility that a judge could be appointed as the Director-General of ASIO in place of Mr Barbour? If there have been any such conversations when did each occur?

Mr WHITLAM—I have not had any conversation or correspondence with the Director-General of Security since the late afternoon of Saturday, 17 March last. The question of any successor to Mr Barbour has not been raised by me or by anybody with me.

Mr Snedden—The question was: Did you have a conversation which raised the possibility that a judge could be appointed?

Mr WHITLAM—A conversation with whom?

Mr Snedden—With the Director-General of Security.

Mr WHITLAM—Perhaps you are thinking

that I had raised the question in conversation with him on or before 17 March. No, I had not. No, I did not.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr FOX—My question is also directed to the Prime Minister. In view of the answers that he has given to the Leader of the Opposition and in view of the reference which he made to the existence of a Senate committee, will he make available to that Senate committee an authenticated copy of the telex sent from the Canberra office of the Australian Security Intelligence Organisation to other branches of ASIO on 28 March? If not, why not?

Mr WHITLAM—Here again it is not the practice to confirm or deny the existence of any telex messages. There is a Senate select committee. If it believes that it is entitled to see any such documents it has procedures available to it. As far as I understand, it has not tried any such procedures.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr ANTHONY—My question, which I direct to the Prime Minister, is supplementary to the question asked of him by the Deputy Leader of the Opposition. When the Prime Minister was asked why he considered the ASIO raid as the biggest mistake made by his Government he replied that his Government is not accident prone. The significance of that is that the raid was deliberate, planned and accepted by the Government but was still a mistake. I ask the Prime Minister: If it was a mistake, why did he keep that opinion to himself when defending the Attorney-General in this House? Why did he ask the House for its confidence in the Attorney-General?

Mr WHITLAM—I did not keep it to myself.

AUSTRALIAN POST OFFICE: COURIER SERVICE

Mr HURFORD—I direct my question to the Postmaster-General. What is the current position concerning the establishment within the Postmaster-General's Department of a courier service competitive with the services being offered outside his Department?

Mr LIONEL BOWEN—For some time the Australian Post Office has been anxious to enter the business conducted by courier services. There is some restriction in the Act because of a requirement that every article be deemed to be posted. On that point there is some difficulty in

being able to establish a courier service. I hope that during this session the Act will be amended to overcome this defect.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr PEACOCK—Will the Prime Minister permit Sir John Bunting to give evidence on oath before the Senate Committee? If he refuses, will he now give reasons for that refusal?

Mr WHITLAM—The honourable gentleman, for whom as everyone knows I have the highest opinion, knows full well that Sir John Bunting is one of nature's gentlemen and waits until he is asked.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr SCHOLLES—I ask the Prime Minister: In view of the fact that security organisations must be answerable to Parliament in some manner, will he consider making the Australian Security Organisations answerable either to a sub-committee of the Joint Parliamentary Committee on Foreign Affairs and Defence or the appointment of a special parliamentary authority consisting of the Prime Minister, the Leader of the Opposition and one other member of the Government?

Mr WHITLAM—I do not concede that security services should be answerable to the Parliament. Security services should be answerable to a Minister who is answerable to the Parliament. Accordingly I will take no steps at all. I do not believe that anybody who is likely to be a Prime Minister would take any steps to see that security services will be responsible to Parliament or to any Parliamentary committee. The honourable gentleman asks me about establishing a committee consisting of the Prime Minister, the Leader of the Opposition and another Minister to discuss these matters. The Leader of the Opposition knows, and I believe everybody in the Parliament knows, and the public should know, that there is no item of security to which I do not give access to the Leader of the Opposition when he wishes it. In many cases the fullest briefings have been made available to the right honourable gentleman who holds that position at the moment. There are very few people in this Parliament who have been fully briefed on security matters. The Right Honourable Leader of the Opposition is one of them and he became one under the present Government.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr FAIRBAIRN—I ask the Prime Minister a question which is supplementary to the question asked by the Deputy Leader of the Opposition. My question concerns the Prime Minister's statement in a recent television interview that the Government's raid on the headquarters of the Australian Security Intelligence Organisation was the greatest mistake that the present Government has made since it was elected to office. What action has the Prime Minister taken to censure those responsible for this mistake? What action or actions has he taken to ensure that such a grave mistake cannot be repeated?

Mr Anthony—Why was it a mistake? Tell us.

Mr WHITLAM—Would you disagree?

Mr Anthony—You did not answer my last question.

Mr WHITLAM—This is a secret.

Mr Lynch—On a point of order, Mr Speaker. Are we to sit here while the Prime Minister consistently refuses to answer the questions asked? It is a disgrace.

Mr SPEAKER—Order! There is no point of order. The Prime Minister or any Minister can refuse to answer any question if he so desires.

AUSTRALIAN SECURITY INTELLIGENCE ORGANISATION

Mr KATTER—In view of the Prime Minister's second-last answer I direct the following question to him: If he is ready to make available to the Leader of the Opposition information on security matters will he make known the contents of this famous telex?

Mr WHITLAM—If the right honourable gentleman seeks to see the text of any document of this character I would give him permission to ask the Director-General of Security whether he can see it. I would leave it to the Director-General to say whether he could, or on what conditions he could see it. I have made no such request. But if the Leader of the Opposition—

Mr Snedden—Have you not seen the telex at all?

Mr WHITLAM—I have not asked to see any ASIO security documents in my life.

Mr SPEAKER—Perhaps it would be more convenient if the Prime Minister stood up all the time.

Mr WHITLAM—I get sick of flattening the others. Perhaps other questions could be put on notice.

PRODUCTION OF HANSARD

Mr SPEAKER—I desire to inform honourable members that the installation has been completed at the Government Printing Office of new machinery for the production of Hansard by photo typesetting and web offset, which initially will enable the rapid printing of up to 10,000 pamphlets a day for each House with a further expansion later to 20,000 pamphlets for each House compared with a maximum of 3,000 a day for each House by the existing slower hot metal type setting method. The new system comes into operation today.

Typesetting and printing by this process are the most significant developments in the printing industry for 500 years. The machinery was selected by the former Government Printer, Mr W. G. Murray and was installed under the supervision of his successor, Mr F. D. Atkinson. Keen support for the purchase of the equipment was forthcoming from the Joint Committee on Publications and both Houses. The capability to increase the production of the Hansard booklets will, it is expected, allow the Australian Government Publishing Service to sell the daily issues and give them a much wider circulation than has been possible to date.

Some improvements have been made to the format of the daily and weekly issues, including the publication of the date on each page, whilst the names of honourable members and the index, which have appeared at the back of the publication, will be placed after the Ministry at the front of it. The design of the front page of the daily and weekly issues has also been given a new look in keeping with the changes in technology. I hope that the changes will commend themselves to honourable members.

PIPELINE AUTHORITY BILL 1973

Mr SPEAKER—I have received a message from the Senate returning the Pipeline Authority Bill 1973 and acquainting the House that the Senate does not insist upon its amendments Nos. 1 and 2 disagreed to by the House, that it has agreed to the amendments made by the House to Senate amendment No. 3 and that it agrees to the amendment made by the House to clause 13 of the Bill.

CITIES COMMISSION BILL 1973

Mr SPEAKER—I have received a message from the Senate returning the Cities Commission Bill 1973 and acquainting the House that the Senate does not insist upon its amendments to which the House had disagreed.

BILLS RETURNED FROM THE SENATE

The following Bills were returned from the Senate:

Without amendment—

Housing Agreement Bill 1973.
States Grants (Housing Assistance) Bill 1973.
States Grants (Housing) Bill 1973.
States Grants (Universities) Bill (No. 2) 1973.
States Grants (Technical Training) Bill 1973.
Grants Commission Bill 1973.
Stevedoring Industry (Temporary Provisions) Bill 1973.
Agricultural Tractors Bounty Bill 1973.
Superannuation Bill 1973.
International Labour Organisation Bill 1973.
Papua New Guinea Bill 1973.
Papua New Guinea (Staffing Assistance) Bill 1973.
Insurance Bill 1973.
Insurance (Deposits) Bill 1973.
Life Insurance Bill 1973.
Australian Electoral Office Bill 1973.
Wool Industry Bill 1973.
Social Services Bill (No. 3) 1973.
National Health Bill 1973.
Broadcasting and Television Bill 1973.
Public Service Bill (No. 2) 1973.
Evidence Bill 1973.
Acts Interpretation Bill 1973.
Public Service Bill (No. 3) 1973.
Maternity Leave (Australian Government Employees) Bill 1973.
Snowy Mountains Engineering Corporation Bill 1973.
Australian Institute of Marine Science Bill 1973.
Defence Force Retirement and Death Benefits Bill 1973.
Defence Forces Retirement Benefits Bill 1973.
Superannuation Bill (No. 2) 1973.
Defence (Parliamentary Candidates) Bill 1973.
Defence Forces Retirement Benefits (Pension Increases) Bill 1973.
Defence Force (Papua New Guinea) Retirement Benefits Bill 1973.
National Service Termination Bill 1973.
South Australia Grant (Lock to Kimba Pipeline) Bill 1973.
King Island Harbour Agreement Bill 1973.
Supply Bill (No. 2) 1973-74.
Parliamentary and Judicial Retiring Allowances Bill 1973.
Income Tax Assessment Bill 1973.
Income Tax Assessment Bill (No. 3) 1973.
Income Tax Assessment Bill (No. 2) 1973.

Without requests—

Stevedoring Industry Charge Bill 1973.
Customs Tariff Validation Bill 1973.
Wool Tax Bill (No. 1) 1973.
Wool Tax Bill (No. 2) 1973.
Wool Tax Bill (No. 3) 1973.
Wool Tax Bill (No. 4) 1973.
Wool Tax Bill (No. 5) 1973.
Supply Bill (No. 1) 1973-74.

ASSENT TO BILLS

Assent to the following Bills reported:

Prices Justification Bill 1973.
Appropriation Bill (No. 5) 1972-73.
Appropriation Bill (No. 6) 1972-73.
Book Bounty Bill 1973.
Cities Commission Bill 1973.
Pipeline Authority Bill 1973.
Housing Agreement Bill 1973.
States Grants (Housing) Bill 1973.

States Grants (Housing Assistance) Bill 1973.
 Superannuation Bill 1973.
 Parliamentary and Judicial Retiring Allowances Bill 1973.
 Social Services Bill (No. 3) 1973.
 National Health Bill 1973.
 Broadcasting and Television Bill 1973.
 Income Tax Assessment Bill 1973.
 Income Tax Assessment Bill (No. 2) 1973.
 Income Tax Assessment Bill (No. 3) 1973.
 Grants Commission Bill 1973.
 Stevedoring Industry Charge Bill 1973.
 Stevedoring Industry (Temporary Provisions) Bill 1973.
 Agricultural Tractors Bounty Bill 1973.
 Customs Tariff Validation Bill 1973.
 States Grants (Technical Training) Bill 1973.
 States Grants (Universities) Bill (No. 2) 1973.
 Australian Institute of Marine Science Bill 1973.
 International Labour Organisation Bill 1973.
 Wool Industry Bill 1973.
 Wool Tax Bill (No. 1) 1973.
 Wool Tax Bill (No. 2) 1973.
 Wool Tax Bill (No. 3) 1973.
 Wool Tax Bill (No. 4) 1973.
 Wool Tax Bill (No. 5) 1973.
 Papua New Guinea Bill 1973.
 Papua New Guinea (Staffing Assistance) Bill 1973.
 Public Service Bill (No. 2) 1973.
 Maternity Leave (Australian Government Employees) Bill 1973.
 Public Service Bill (No. 3) 1973.
 Snowy Mountains Engineering Corporation Bill 1973.
 South Australia Grant (Lock to Kimba Pipeline) Bill 1973.
 Insurance Bill 1973.
 Insurance (Deposits) Bill 1973.
 Life Insurance Bill 1973.
 Acts Interpretation Bill 1973.
 Evidence Bill 1973.
 Defence Force Retirement and Death Benefits Bill 1973.
 Defence Forces Retirement Benefits Bill 1973.
 Superannuation Bill (No. 2) 1973.
 Defence (Parliamentary Candidates) Bill 1973.
 Defence Forces Retirement Benefits (Pension Increases) Bill 1973.
 Defence Force (Papua New Guinea) Retirement Benefits Bill 1973.
 Australian Electoral Office Bill 1973.
 National Service Termination Bill 1973.
 Supply Bill (No. 1) 1973-74.
 Supply Bill (No. 2) 1973-74.
 King Island Harbour Agreement Bill 1973.

CONSTITUTIONAL CONVENTION

Mr SPEAKER—I have received a message from the Senate transmitting to the House a resolution of the Senate agreeing to the Australian Parliament's participation in the Constitutional Convention and appointing senators as delegates to the Convention. With the consent of the House I do not propose to read the message which will be recorded in the Votes and Proceedings.

JOINT COMMITTEE ON THE BROADCASTING OF PARLIAMENTARY PROCEEDINGS

Mr SPEAKER—I have received a message from the Senate acquainting the House that in accordance with the provisions of the Parliamen-

tary Proceedings Broadcasting Act 1946-1960 Senator O'Byrne has been discharged from attendance on the Joint Committee on the Broadcasting of Parliamentary Proceedings and Senator Poke has been appointed a member of the Committee.

JOINT COMMITTEE ON PRICES

Mr SPEAKER—Order! I have received the following message from the Senate:

The Senate transmits to the House of Representatives the following Resolution which was agreed to by the Senate this day:

That the following matter be referred to the Joint Committee on Prices:

The continuing oversight in examining the prices of goods and services of the following aspects in relation to the cost of those goods and services:

- (a) increased cost arising from industrial stoppages and strikes and from consent industrial agreements;
- (b) additional cost brought about by granting a fourth week of annual leave;
- (c) additional cost brought about by granting a working week of less than 40 hours; and
- (d) relative rise of wages to the rise in productivity over periods of time as determined by the Committee.

AUSTRALIAN NATIONAL AIRLINES BILL 1973

Bill returned from the Senate with an amendment.

In Committee

Consideration of Senate's amendment.

Senate's amendment—

Proposed new clause 13A.

After clause 13, insert the following new clause:

'13A. After section 31 of the Principal Act the following section is inserted:—

"31A. The Commission shall not more than four weeks after this Act receives the Royal Assent and thereafter from time to time at intervals of not more than four weeks transfer the monies representing provisions made by the Commission for staff superannuation from the accounts of the Commission to the Commonwealth Superannuation Board or to such other trustees as the Treasurer approves."

Motion (by **Mr Charles Jones**) proposed:

That the amendment be agreed to.

Mr FAIRBAIRN (Farrer) (5.12)—The Opposition naturally is very glad that the Government has agreed to this amendment which will put Trans-Australia Airlines on the same footing as Ansett Transport Industries Ltd from the point of view of having to borrow money instead of being able to use its superannuation funds. It will put it on the same footing as more than 30 Commonwealth instrumentalities which do not use their superannuation funds. I am glad that the Government has seen fit to accept this amendment. I am only sorry that it did not ac-

cept it at an earlier time so that we could have had this Bill in operation as an Act some months ago.

As we stated quite clearly, the facts were that TAA was using a sum which I believe was about \$29m, increasing at a rate of about \$3m per annum. This was giving it an advantage over its competitor. Australia has a 2-airline system and we do not believe that there should be advantage for either airline. We certainly said that TAA was getting an advantage which was worth at least \$500,000 per annum. Not only that, but it was able to use that money as it saw fit. The Minister for Civil Aviation (Mr Charles Jones) did go part of the way towards meeting our request earlier by saying that funds borrowed from the superannuation fund of TAA would be charged interest at 7 per cent instead of 5.5 per cent, as had previously occurred. He has now taken the very wise course of agreeing that those funds should not be used by TAA and, as I pointed out at the time, the Bill was previously before the House, this is in accord with the agreement which was made between the previous government and Sir Frederick Scherger, the head of TAA. As a result of that agreement, of course, TAA was given a number of advantages. As I said before, a little bit of sugar makes the medicine go down. The sugar, of course, was that TAA received advantages in being able to run motels and activities closely related to airline operations and could go into some intrastate airline operations provided that was agreed to by the State government concerned. It could also acquire shareholdings and various things of that sort.

After TAA had made this arrangement with the previous Government and after the previous Government had made available the sum of, I think, \$25m in the previous Budget, TAA then tried to take up the cheese and not spring the trap. It has now done so. The previous arrangement that superannuation funds must not be used has been agreed to by the Government. At the same time TAA will receive advantages which I think it is only fair that it should have. The Opposition is delighted that the Minister has accepted this vital amendment by the Senate.

Mr NIXON (Gippsland) (5.15)—I join with my colleague, the honourable member for Farrer (Mr Fairbairn), in congratulating the Government on seeing the sense of the amendment which we moved in earlier debate. It brings to an end a very sorry episode which started when the Australian National Airlines Bill was introduced by the Minister for Civil Aviation (Mr Charles Jones) on 3 May this year. At that time the Minister said: 'This is quite a minor Bill and, as

there is agreement between the Government and the Opposition, I need not go into any detail about it'. The Bill as seen by the hotel-motel industry, the transport industry, the airline industry and many other ancillary industries turned out to be a Frankenstein monster. The Minister had to accept 14 amendments from the Opposition. If that had happened in the United Kingdom or in any decent parliamentary system the Minister having had to accept 14 amendments to a major Bill would have resigned. Any decent Minister would have resigned and said to one of his colleagues: 'I am not fit to carry on. Please take my place'.

The CHAIRMAN (Mr Scholes)—Order! I suggest that the honourable member not cast reflections on this House.

Mr NIXON—I certainly do not wish to cast reflections on the House. In my view, with great respect, the Minister for Civil Aviation has cast reflection by not resigning.

The CHAIRMAN—Order! I suggest that in saying 'any decent parliamentary system' the honourable member was reflecting on the House and not on the Minister.

Mr NIXON—It is certainly not my intention to reflect on the House and I withdraw the word 'decent'. I make my point again. Had the Minister been decent on this matter he would have said to one of his colleagues: 'Take my place as the Minister for Transport. I have made a mess of the first major Bill I have introduced into this Parliament'. It is a very sorry episode and reflects very gravely on the Minister for Civil Aviation. I hope the Minister sleeps with a clear conscience now that he has finally accepted the last of the amendments. As I recall his words, as recorded in Hansard, the Minister, when in Opposition last year, gave notice that the TAA superannuation funds would never be transferred. Putting it more positively, the present Minister when in Opposition said that superannuation funds would be transferred only over his dead body if he became the responsible Minister. He said: 'Over my dead body'. Well, his body looks pretty alive to me. That is the point I wished to make. Therefore he has retracted the last vestige of principle that he has in respect of this Bill. It was a very sorry day when the Minister did not accept this amendment when the honourable member for Farrer and I put it to him very graciously when the Bill was before the Committee earlier.

I am delighted that the last of this Frankenstein monster has been properly dealt with and that the Government has seen some sense with respect to it. At least the Bill now appears to be a

rational, sane Bill. It places the 2 airlines on a proper competitive basis. What is more, it brings TAA into line with all other Government bodies in that their superannuation funds are not used in a commercial sense. This is the case with the Australian National Line and all other such bodies. We put this case to the Minister earlier and he declined to take our advice. He has now had to retreat from his earlier stand. I am glad that the Government has made him retreat.

Mr CHARLES JONES (Newcastle—Minister for Civil Aviation) (5.19)—I heard a whisper that the Opposition intended to do some bragging this afternoon when I accepted the amendment. The honourable member for Farrer (Mr Fairbairn) inquired at my office yesterday as to what the Government would do about this matter. I very openly and frankly told him that we would accept the amendment. I wish to clarify a few points. What a difference there is between the crowing of the honourable member for Gippsland (Mr Nixon) this afternoon and the laudatory remarks which he made after I had accepted all the other amendments when the Bill was dealt with by this Committee before it went to the Senate. I wish to make it clear that the reason I accepted those amendments on that occasion was that I preferred to have the Bill dealt with by this Committee rather than by another place. In this Committee I had some control over what was going on. Let us not make any bones about why I dealt with them here. The only reason I accepted the amendments was that the Government does not have the numbers in the other place. Let us be frank about that too. I give the honourable member for Gippsland and the honourable member for Farrer credit for being prepared to sit down and negotiate in relation to the amendments. The Government did not agree to everything they put forward but at least in this case we were able to work out a compromise in this House rather than it going before the other place.

The honourable member for Gippsland said that we accepted the amendment previously put in this House by the Opposition. We have not accepted that amendment because the Senate did not move as an amendment the amendment which was moved here by the Opposition. It moved a different amendment containing some of the proposals which the Opposition had written into its amendment. The Senate wrote into the amendment some additional points which the Government has accepted. So far as I am concerned we can live with the amendment which we are accepting from the Senate, but we do not agree with it 100 per cent. When the sta-

tement was made dealing with the 2-airline agreement I said that I would not accept this amendment. That was the Government's attitude and if we had the numbers in the Senate we would not accept it now. Let us not have any illusions about it. It is only because the Opposition has the numbers in the Senate that we are accepting it—

Mr Nixon—Go to the people on it.

Mr CHARLES JONES—We are doing all right out of the amendment and honourable members opposite will squeal their heads off when they find what we have done with it. I am going to do some bragging as well. On the question of the 2 airlines being on an equal footing, I point out that members of the Opposition have been under the domination of the Ansett Transport Industries Ltd for the 23 years they were in government. Ansett Transport Industries told the previous Government what it was to do and it toed the line. Let us make that point clear. The Liberal-Country Party Government toed the line when Ansett called the tune. Members opposite have done so on this occasion. The amendments which were moved by the Opposition were amendments it was told to move by ATI. When it comes to a comparison, what I have stated is a fact and the honourable member for Angus (Mr Giles) knows it because he is one of those who toed the line with the rest of the members of the Liberal and Country Parties.

So far as ATI is concerned let us be clear. Trans-Australia Airlines has a much better superannuation fund than does ATI. It costs TAA more than \$1m a year more than it costs ATI. What the Opposition hoped to do was to place TAA at a disadvantage of about \$1.5m a year compared to ATI. Do not let honourable members opposite forget that when they were in government they directed Qantas Airways Ltd to adopt a similar method of investment for its superannuation fund as TAA was doing. TAA followed the previous Government's policy for 23 years and it was only in the dying hours of the last Parliament that the previous Government once again toed the line—that is the Ansett line—to extend the terms of the 2-airline agreement for another 5 years when there was no justification for it. Sir Frederick Scherger and other members of the Board at no time agreed to it. It was only under duress and pressure that the then Prime Minister, the right honourable member for Lowe, leaned on them because ATI was leaning on him. Honourable members opposite should get the facts clear.

With respect to the interest being charged on these funds, the former government allowed TAA to get away with a 5.5 per cent interest charge on the funds it was using. One of the things I did was to say 'that is not fair and reasonable; it should be at a rate higher than that', and I required the Company to charge itself what was then the long term bond rate, which I considered was fair and reasonable. That is the situation. I think it was the honourable member for Farrer (Mr Fairbairn) who used the expression that Trans-Australia Airlines was prepared to take the cheese but not to spring the trap. Let me point out to the honourable member that the person who took that action was the Minister for Transport—me. I was the one who directed the management of TAA and the Board not to transfer the funds. I emphasise that very early in the piece I directed them not to transfer the funds. As far as I was concerned, if I could have left the funds under the previous system they would have been left under that system without any change being made. It is only because the Australian Labor Party does not have the numbers in the Senate that members of the Opposition were forced by Ansett to write in the amendment which we have been pushed into accepting. So, it was not TAA that did this.

Incidentally, Sir Frederick Scherger at no time has agreed to the proposition relating to superannuation funds which honourable members opposite have tried to force on him and other members of the Board. So, he has not reneged on any agreement which he entered into. What are honourable members opposite going to do about the service in Western Australia? At the moment, Ansett Transport Industries is lobbying members of the Opposition in the Western Australian Parliament not to permit TAA to operate an intra-State service in that State. What are honourable members opposite going to do there? Are they going to support TAA's entry to intra-State operations in Western Australia? After all, one of the conditions of the extension of the 2-airline agreement for another 5 years was the transfer of superannuation funds out of TAA's hands. If the Western Australian Parliament does not agree to TAA operating intra-State in Western Australia, will members of the Opposition parties in another place amend the Bill, withdraw the amendment and allow TAA to operate on the superannuation funds as was previously the practice for 23 years under Liberal government? I do not think that they will, because they must toe the line as Ansett Transport Industries tells them to. We accept the amendment because of the reasons I have

outlined. We can live with it and we will live with it for as long as we do not have the numbers in the other place.

Question resolved in the affirmative.

Resolution reported; report adopted.

AUSTRALIAN CITIZENSHIP BILL 1973

Bill returned from the Senate with an amendment.

Mr GRASSBY (Riverina—Minister for Immigration) (5.28)—I move:

That the amendment be taken into consideration in the Committee of the whole House at the next day of sitting.

Before that question is put, with your indulgence, Mr Speaker, I just say that when this Bill is called on tomorrow I intend to move for a change to the amendment proposed by the Senate. I hope that this amendment and another minor amendment that I shall propose can be circulated later today so that honourable members may consider them in time for tomorrow's debate.

Question resolved in the affirmative.

STATES GRANTS (ADVANCED EDUCATION) BILL 1973

Bill returned from the Senate with an amendment.

In Committee

Consideration of Senate's amendment.

Clause 4.

After section 7 of the Principal Act the following sections are inserted:

'7A. (1) There is payable to each State during the year 1973, for the purpose of financial assistance in connexion with students in need, the amount specified in the following table opposite to the name of that State:

Name of State	Amount \$
New South Wales	134,000
Victoria	392,000
Queensland	92,000
South Australia	51,000
Western Australia	96,000
Tasmania	41,000
	<hr/> 806,000 <hr/>

'(2) The financial assistance by way of payment of an amount to a State under sub-section (1) is granted on the condition that the State will ensure that the amount is applied towards assisting students in need.

'(3) In this section, 'student in need', in relation to a State, means a student who is enrolled at a college of advanced education situated in the State, is undertaking at the college a course of study approved by the Commission under section 4 and is determined by the college to be experiencing hardship by reason of his financial circumstances.

Senate's amendment:

Leave out sub-section (2) of proposed section 7A, insert the following sub-section:

'(2) The financial assistance by way of payment of an amount to a State under sub-section (1) is granted on the conditions that—

- (a) the State will ensure that the amount is applied towards assisting students in need; and
- (b) the State will furnish annually to the Commission statistics and information in respect of the application of the amount by the State.'

Mr BEAZLEY (Fremantle—Minister for Education) (5.31)—The amendment requires the States or the colleges of advanced education to report to the Australian Universities Commission on the expenditure of money granted to them, or which was purported to be granted to them, under the emergency legislation—this Bill—when it left this place. I move:

That the amendment be agreed to.

Mr MALCOLM FRASER (Wannon) (5.32)—The amendment is not quite in the form in which it was originally moved in this House but it was negotiated in another place and the Opposition accepts it in its present form.

Question resolved in the affirmative.

Resolution reported; report adopted.

SUSPENSION OF STANDING ORDERS**States Grants (Universities) Bill 1973**

Motion (by **Mr Beazley**)—by leave—agreed to:

That so much of the Standing Orders be suspended as would prevent the Minister for Education moving an amendment to clause 2 of the States Grants (Universities) Bill during the consideration in committee of the whole of amendments made by the Senate in the Bill.

STATES GRANTS (UNIVERSITIES) BILL 1973

Bill returned from the Senate with amendments.

In Committee

Consideration of Senate's amendments.

Clause 3.

After section 11 of the Principal Act the following section is inserted:

'11A. (1) In relation to each University specified in the Eighth Schedule there is payable, in the year that commenced on 1 January, 1973, to the State in which the University is situated, for the purpose of financial assistance, the amount specified in the second column of the Eighth Schedule opposite to the name of that University.

'(2) The financial assistance to a State by way of payment of an amount under this section in relation to a University is granted on the conditions that—

- (a) the State will, without undue delay, pay that amount to the University; and

- (b) the State will ensure that the amount so paid to the University is applied by the University towards assisting students in need.

'(3) In this section, "student in need" means a student enrolled at a University specified in the Eighth Schedule who is determined by that University to be experiencing hardship by reason of his financial circumstances.'

Senate's amendment No. 1—

In sub-section (2) (a) of proposed section 11A, leave out 'and'.

Senate's amendment No. 2—

In sub-section (2) (b) of proposed section 11A, leave out 'need', insert 'need; and'.

Senate's amendment No. 3—

At end of sub-section (2) of proposed section 11 A, add the following paragraph:

- '(c) the State will, as a condition of the payment to the University, require the University to furnish annually to the Commission statistics and information in respect of the application of the amount by the University.'

Mr BEAZLEY (Fremantle—Minister for Education) (5.35)—I move:

That the amendments be agreed to.

The purport of the amendments is similar to the amendments to the States Grants (Advanced Education) Bill, and the point of similarity is amendment No. 3 that at the end of sub-section (2) of proposed section 11A, add the following paragraph:

- (c) the State will, as a condition of the payment to the University, require the University to furnish annually to the Commission statistics and information in respect of the application of the amount by the University.

The other amendments are that in clause 3, line 12 leave out 'and' and that in clause 3, line 14, leave out 'need.' and insert 'need; and'. I believe those 2 amendments are consequential on what comes as the substantial amendment.

Mr MALCOLM FRASER (Wannon) (5.36)—The Opposition agrees to these amendments. Their origin is the same as that of the amendments moved by the Minister for Education (**Mr Beazley**) in relation to colleges of advanced education. They are not in the same form as the amendments originally moved in this House but again they were negotiated. I only add that the experience of universities since these special funds were made available emphasises the need for this particular requirement.

Question resolved in the affirmative.

Clause 2.

This Act shall come into operation on the day on which it receives the Royal Assent.

Mr BEAZLEY (Fremantle—Minister for Education) (5.37)—I move:

Omit the clause, substitute the following clause:

'2. This Act shall be deemed to have come into operation on 17th June, 1973.'

Since the first Bill was introduced a second Bill, the States Grants (Universities) Bill (No. 2) 1973, which concerns special grants for increasing the number of social workers in training at the universities of Sydney and Melbourne, has been passed, and it is necessary to deem the first Bill to have come into force before the second Bill. To enable this to be done a further amendment to the first Bill is now proposed. I have circulated the amendment. In place of the words 'This Act shall come into operation on the day on which it receives the Royal Assent' the amendment proposes to substitute the following words:

This Act shall be deemed to have come into operation on 17th June, 1973.

This amendment to clause 2 will require the Bill to go back to the Senate for a second time for its acceptance.

Question resolved in the affirmative.

Resolution reported; report adopted.

Motion (By Mr Beazley) agreed to:

That in the message returning the Bill to the Senate the Senate be requested to reconsider the Bill in respect of the amendment made by the House of Representatives to clause 2.

AUSTRALIAN CAPITAL TERRITORY REPRESENTATION (HOUSE OF REPRESENTATIVES) BILL 1973

Bill returned from the Senate with an amendment.

JOINT COMMITTEE ON FOREIGN AFFAIRS AND DEFENCE

Mr SPEAKER—I have received advice from the Leader of the Opposition that he has nominated Mr Peacock to be a member of the Joint Committee on Foreign Affairs and Defence in the place of Mr N. H. Bowen.

DEFENCE (RE-ESTABLISHMENT) BILL 1973

Second Reading

Debate resumed from 22 May (vide page 2382), on motion by Mr Barnard:

That the Bill be now read a second time.

Dr FORBES (Barker) (5.40)—The Opposition supports this measure which, as was pointed out by the Minister for Defence (Mr Barnard), has 2 purposes. One, in the broad, is to apply to regular servicemen the rehabilitation and re-training benefits which have applied in the past to national servicemen, and the other is to put into legislative form the already announced proposal to pay a re-engagement bonus of \$1,000 after 6 years of service on the basis of a further 3 years of service. We support these proposals because they will benefit servicemen

and, together with other measures which were undertaken by the previous Government, to some extent attempt to compensate servicemen for the hardships and difficulties involved in the sort of life that they have to lead. Also we believe that these proposals will play some part in attracting people to a Service career.

Having said that, I believe that out of all responsibility I must comment on this legislation in the context of what the Government is doing in relation to defence spending and the defence of this country as a whole. In the last sentence of his second reading speech the Minister for Defence states:

The Bill is complementary to other measures such as defence service homes and repatriation benefits which the Government is in the process of extending to servicemen not only in recognition of their occupation in present day circumstances but also in pursuit of the Government's determination to provide an adequate volunteer force.

We have the extraordinary situation that on the one hand the Government, by means of this measure, is spending money in providing these benefits—I do not know how much; the Minister did not put any cost on the proposals—but, on the other hand, in the interests of economy and in order to find money to finance the vast welfare proposals which this Government has it is ruthlessly cutting back on defence expenditure as a whole. This cut-back on expenditure applies both to the manpower for the Services and to equipment. We will hear more about that tonight.

But I only have to remind the House of what the Minister had to say in his statement to the Parliament towards the end of the last session when he announced the Government's decisions in relation to the Army. He said then that the Government had decided that Australia should have an Army of 34,000 by 1976. If the current recruiting rate continues—encouraged somewhat, no doubt, by the measures contained in this legislation—the Government, by putting this ceiling on the size of the Army, will be knocking back 500 recruits a year. Those 500 recruits out of the 1,500 that are becoming available would be eligible in all respects to serve in the Services. It seems to me to be quite extraordinary to say, as the Minister has said, that the Government is providing the measures contained in this legislation in order to provide an adequate volunteer force and that, because the Government gives such a low priority to defence as a whole, it puts a limitation on the manpower for the Services in the interests of the economy. It is not based on the interests of the security of the country but it is based purely on a desire to economise and to reduce defence spending.

We all know that the Army and the Department of Defence have advocated an army of 38,000 men. That information came out of a report by a committee set up by the Minister. The Minister rejected that advice and came to this House with a proposal for an army of 34,000 by 1976—not now. If the Government were prepared to accept the recommendations of its defence advisers it would at the very least be accepting every recruit that comes forward. But it is not doing that. It is knocking them back at the rate of 500 a year. One of the reasons for this is the additional expense that is involved as the result of the introduction of measures such as the one before us. This is an extremely topsy-turvy situation. These sorts of considerations lead me to believe that the motivation of the Government is highly suspect and that it is not really interested in the welfare of servicemen at all.

Of course, in this measure the Minister is honouring an election promise to provide these benefits. It is now clear in the total picture that I have presented why he gave these particular undertakings, all wrapped up in the guise of the suggestion that the Labor Party is interested in the welfare of servicemen and in the defence of the country. He gave these undertakings at that time because he wished quite deliberately to allay public disquiet about the prospects of a Labor government in charge of the defences of this country and particularly in the context of an undertaking to abolish overnight the national service scheme. As in so many fields, the Government set out in a deliberate attempt to mislead the country about its bona fides in the defence field and to quieten public distrust of the Labor Party.

The other reason why it gave this undertaking again had nothing to do with the interests of ex-servicemen. It had a lot to do with the desire of the Labor Party to win the seat of Herbert from my colleague. In that electorate the servicemen's vote is quite considerable. The Labor Party's election undertaking had a lot to do with the Government's desire to retain the seat of Bendigo which contains the large Army complex of Puckapunyal. It had a fair bit to do, even though his was a safe seat, with the desire of the Labor Party's leader to please the people who occupy the Holsworthy-Ingleburn complex in the electorate of Werriwa. It was a vote catching device. It was not related to any genuine feeling for the interests of servicemen at all.

Mr Hurford—How do you know?

Dr FORBES—I gave the reasons why I know that earlier. The honourable gentleman should

have been listening. I am very glad to say that servicemen in these electorates, particularly in the electorates of Herbert and Bendigo, did not fall for these venal bribes of the Labor Party. The honourable member for Herbert (Mr Bonnett) retained his seat with an increased majority, and to the greater glory of Australian democracy the former member for Bendigo lost his seat. One of the reasons for that was that servicemen in those electorates instinctively knew that a Labor Party government could not be trusted with defence; that, whatever the Labor Party might do about providing marginal benefits of this sort as a vote winning device, when it came to establishing priorities defence would be very low down on the list.

As I understand it, the Treasurer (Mr Crean) tonight will indicate in no uncertain fashion the truth of those words. It has even been suggested that the inadequate Army of 34,000, which the Minister for Defence announced as the Government's decision only a few months ago, has been reduced still further to 31,000 in the course of the Budget deliberations. The Government has been knocking back all recruits except those necessary to replace people who leave the Services at least during the current 12 months. These are the sorts of things which servicemen instinctively feel about the Australian Labor Party. That is why they did not vote for the Labor Party, and everything that has happened since this Government came into office makes it quite clear that servicemen showed very good judgment in this respect.

Of course, the Government realises that improved conditions of service play a part in the process of attracting volunteers to the armed Services, and this was recognised by the previous Government. Most of the measures which have contributed to the present higher recruiting rate for the Army were instituted by the previous Government. That trend was in existence before the new Government came into office. But the Government should also realise that the provision of improved conditions of service plays only a part in the process of persuading people to volunteer for the Services. Just as important—perhaps more important—in persuading people in the community to volunteer for the armed Services is the creation of a feeling that the government of the day will not renege on its obligation to maintain adequate defence forces; that if a person comes into the Services he will have an assured career; that the Services operate on a scale which guarantees him an assured career; that there are opportunities for advancement; and that he will have interesting and gainful

training and things of that sort. I believe that this is even more important than the offering of inducements. This is what servicemen had under the defence policy of the previous Government.

It is an interesting fact that during the period of the national service scheme the structure of the Regular Army was expanded and improved to an enormous extent. Over that period people were able to see for themselves that the Government meant business, that there was a career that meant something, that the Government was serious about the Army and defence. Even though there existed alongside it a national service scheme the volunteer content of the Army improved progressively throughout the whole of the life of that scheme. I put that down to the sorts of considerations I was talking about earlier. I believe that despite the honouring of these commitments, made partly as bribes in certain key seats and partly to allay public disquiet about the defence policies likely to be pursued by the Labor Party if it came to office, the other actions in the defence area taken by this Government demonstrate without a shadow of doubt that it has very little interest at all in defence; that defence comes very low in the priorities it has set. As I have said, I believe that this situation will be amply demonstrated when we hear the Treasurer's Budget Speech tonight. The feeling in the community and in the armed forces that this is the attitude of the Government to defence will more than compensate for any recruiting advantages that this sort of measure will have.

We do not oppose the Bill because we are genuinely interested in defence and the welfare of servicemen. We do not regard servicemen as political pawns. Anything that is done to improve the conditions of service and the welfare of servicemen will receive our support but we condemn the Government for its overall approach to defence.

Mr CROSS (Brisbane) (5.58)—The speech made by the honourable member for Barker (Dr Forbes), the shadow Minister for Defence, was extremely interesting from a number of points of view. He started by saying that the Opposition supports the Bill. Then he launched an attack on the Labor Government for its entire defence policy, particularly in relation to manpower and equipment. I found his speech interesting because one does not have to be very old to recall the parlous state of Australia's defence forces in 1963, at the time of confrontation between Indonesia and Malaysia, and the situation that was arrived at after 14 years of Liberal-Country Party rule. The Labor Party in government does

not pretend that it can sort out the problems of Australia's defence forces in a very short space of time. It will take quite a number of years to overcome the effects of the policies of the previous Government and its neglect of equipment, accommodation and decent working conditions for our armed forces, together with proper pay scales and a decent defence forces retirement benefits scheme. But that is the task to which the Government has set itself and the honourable member for Barker has correctly predicted that some of these aims will show forth in the Budget when it is introduced tonight.

I remind the honourable member for Barker that manpower limits in the Royal Australian Air Force and Royal Australian Navy were set by the Gorton Government so that limits on the armed forces are not new in Australia. The new proposals of the Government will be the subject of statements to be made by the Minister for Defence (Mr Barnard) in this session. The honourable member referred to the motivation of the Labor Government in promising better conditions for the armed forces. We could well consider what would have happened if the Liberal-Country Party Government had continued in office and was in office now. The stories which the honourable member is putting before us tonight are symptomatic of the previous Government's attitude to the armed forces. The honourable member made it quite obvious that with the present satisfactory recruiting rate this legislation would not have been introduced by the previous Government. That Government would not have given permanent servicemen these improved conditions because it would have had all the recruits that it needed. The recruiting position is actually better than the honourable member for Barker suggested. The number of people who are being declined is actually greater because a much higher standard of recruit is offering at this time. The previous Government would not be improving the conditions of the armed forces because it would have continued national service. It would have taken young people away from industry, from rural pursuits and from studies if they were not full-time students in order that it might avoid its responsibility to improve the conditions of people in the permanent armed forces.

The honourable member for Barker made no mention of the improved pay scales. I venture to say that under the previous Government that improvement would not have happened. One recalls that the report of the Joint Select Committee on Defence Forces Retirement Benefits Legislation, which was chaired by the previous

honourable member for Latrobe and of which the Deputy Chairman was the honourable member for Melbourne Ports (Mr Crean) who is now the Treasurer, was brought down last year but that it was not accepted by the previous Government. We have been treated to the story of the fate of the armed forces under the Labor Government. One can only speculate as to their fate if a Liberal-Country Party Government had continued in office. I think that one can only judge the previous Government by its record.

The Prime Minister (Mr Whitlam), in the Australian Labor Party policy speech, stated:

The defence forces must be shown to be as necessary, and their conditions as attractive, as any other pursuit in the community. The way to attract and retain regular soldiers in peacetime is to guarantee that they and their dependants will be and after discharge will remain, on a par with civilians of the same age. Defence pay and allowances will be automatically adjusted each year to preserve their purchasing power. The report of the Defence Forces Retirement Benefits Committee, on which our shadow Minister for Defence and Treasurer served, will be adopted without equivocation or delay; those who have greater benefits under existing legislation will retain those benefits. We will appoint a military ombudsman. We will pay a \$1,000 bonus to any serviceman accepted for reengagement. Members of the services should be given War Service Homes, repatriation health benefits, civilian rehabilitation training, scholarships for their children and generous retirement and resettlement allowances.

Mr Barnard—That has all been done.

Mr CROSS—Yes, that has all been done. I point out that this measure which has come on for debate and which has been brought down by the Government is the first item of business of the current session. That indicates the importance which the government attaches to keeping the promise made to the defence forces of Australia in the policy speech which I have just read. All members of the regular forces, including members of the Citizen Military Forces and reserves, on continuous full-time service who are honourably discharged after 3 years continuous service—or earlier if they are discharged on medical grounds—now will be entitled to post-discharge vocational training, re-establishment loans so that they might be properly re-established in civilian life, rehabilitation treatment and training for disabled ex-servicemen without a means test and repatriation benefits. All members of the regular forces including CMF and reserves on continuous full-time service who serve beyond 3 years will be entitled to war service homes benefit while continuing in the service and re-engagement bounty for other rank members of the regular forces.

The Labor Government believes that those fine Australians who choose to serve this nation through a service career should be treated no less

generously than were national servicemen who were given no choice by the previous Government. The date 2 December 1972 was a watershed in the history of the defence forces of this nation. Prior to that time we were told by the Opposition that as national service would be abolished under a Labor Government there would be insufficient recruits for the Australian Regular Army. One can remember these things being said by honourable members opposite a year ago to this day. Of course now we have the shadow Minister for Defence talking about the fact that the Government has the luxury of more recruits offering for the Australian Regular Army than are actually needed. The number of recruits offering has exceeded the Government's best expectations and this is at a time of near full employment. We are able to select the best of the young men and women available with all that this means to the Army and the quality of its serving personnel and the fact that it no longer has within its numbers those national servicemen who did not choose to serve, is, of course, another factor which will improve its morale and standard of service.

The Government has appointed an inquiry into the CMF and while we anticipate that many benefits will follow that inquiry it will be some time before the CMF recovers from the effect of national service. I think that we all recall the earlier days when serving in the CMF was an honoured occupation and many fine men chose to serve as officers and as other ranks in that body. National service had an extremely harmful effect on the CMF in the sense that many young men who did not wish to have their lives interrupted by undertaking national service opted to go into the CMF. The CMF contained a large number of young people who were not really interested in the CMF but were there to avoid the possibility of the national service ballot. This Government does not pretend that these disabilities can be overcome in a day, in a year or in a short term. But they will be overcome in the long term. The men who now join the CMF again now do so from a desire to serve their country and not to evade national service.

I have referred to the new pay scales introduced by this Government and, as the Minister for Defence who is at the table has correctly said, in this legislation—and this will be reflected in the Budget that comes down this evening—all of the commitments made to the serving forces of this country will have been carried out by the Labor Government. I would like to take the opportunity of paying a tribute to the Minister for Defence for the vigorous way in which he has

given leadership to the defence forces of this country. In the comparatively short period of time that he has been the minister he has brought to his duties a capacity for hard work, a clear understanding of the defence problems of this nation, a sympathy for serving personnel and an understanding of the problems of our defence forces. As a result of this the defence forces of this country are about to make very great progress under the Labor Government.

We followed the comments that were made by the honourable member for Barker, the shadow Minister for Defence, who was the previous speaker, about the results of the last election. We do not do these things for political purposes. But I believe that when the armed forces of this country go to the polls again they will realise that they have been well served by a Labor Government.

Mr HOLTEN (Indi) (6.3)—The Australian Country Party supports this measure. It certainly appears that the provisions of this Bill are very necessary. The honourable member for Brisbane (Mr Cross) who has just resumed his seat waxed eloquent, and was supported by the Minister for Defence (Mr Barnard) who is at the table, in talking about the Labor Party's efforts since it has been in Government in building up our armed forces. As the Minister for Defence said in his speech this measure has been designed in pursuit of the Government's determination to provide an adequate volunteer force. I certainly hope for Australia's sake and the Labor Government's sake that it has better results than we have seen to date in recruiting people and maintaining the size of our armed forces, particularly the Army, which has dropped in size from 41,000 to about 31,000 since the Labor Government took office.

Honourable members opposite talk about the success that policies and measures of the Labor Government have had in terms of assisting the Army. This is why I say that the provisions of this Bill are obviously very necessary. Certainly they could receive a great deal of use particularly if the Labor Party pursues its extraordinary policies of doing everything it can to do away with the incentive for people to join the armed forces. Troops have been withdrawn from Singapore and there will be no overseas postings as an inducement to recruitment. We read in this morning's papers—and I presume that this will be confirmed in tonight's Budget—that there will be a slash in Army expenditure. Statements such as 'Savage cuts in the expenditure for our armed forces' appear. This will be a great incentive to people to join the armed forces of this country! It will boost the morale, I am sure, of the many

wonderful soldiers, airmen and sailors whom we have already in our forces! However, we do not want to judge a situation too hastily. I put to the Minister for Defence, the Government and the people of Australia that there are dangerous signs with respect to the weakening of Australia's defence forces. If this trend continues we will be one of the worst defended countries, particularly in view of the geographical size of our country, its wealth and the standard of living that we enjoy.

I deal now with the objectives contained in this Bill. The Repatriation Department will have a basic concern for the administration and decision making in respect of some of these matters. As I understand it, the well-established regional committees and the Central Training Committee which are headed by people from the Repatriation Department and staffed by representatives of many other departments will continue to make the administrative decisions in areas such as business loans, primary industry loans and rehabilitation. Business loans will still be made by the Repatriation Department whereas primary industry loans will be made by the Department of Primary Industry. Rehabilitation of those members of the armed forces who are not disabled by war service will, I understand, be provided by the Department of Social Security unless they had war service overseas. As this Bill applies basically to regular servicemen some conditions will be different.

Mr Keogh—What others are there?

Mr HOLTEN—For the information of the honourable member for Bowman, there are national servicemen. They have been covered by this legislation for many years. These provisions are to apply to people who voluntarily join the Army as regular servicemen. Naturally different conditions will apply to them. The criteria are not set out in the Minister's second reading speech, but no doubt in the normal administrative procedures certain changes in criteria will apply in the granting of business or primary industry loans. When national servicemen were the only recipients of these loans one of the conditions was that the purpose for which the loan was sought had to have some relationship to their previous occupation. Some members of the Regular Army have been in the Army for up to 20 years, so that criteria would not be applicable to them. No doubt the authorities, who have done a splendid job in the past in administering these benefits for national servicemen, will continue to use their experience. Each case will be carefully studied by the members of these administrative departments and decided on its

merits, bearing in mind the soldier's background and ability. In view of the exigencies of time and the program of the House I conclude by saying that I certainly hope that this measure will counter the drastic fall-off in recruitment for our armed forces.

Debate (on motion by Mr Kerin) adjourned.

Sitting suspended from 6.15 to 8 p.m.

APPROPRIATION BILL (No. 1) 1973-74

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

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

Second Reading (Budget Speech)

Mr CREAN (Melbourne Ports—Treasurer) (8.1)—I move:

That the Bill be now read a second time.

In doing so I present the Budget for 1973-74.

Since taking office nine months ago the Government has acted energetically to implement many of its election undertakings. Many major spending proposals of the Government's program had of course to wait for the Budget and are now included in it. The task of the Budget, however, is to reconcile the Government's determination to carry out the whole of its program with wise management of the economy. This we have done.

Mr Malcolm Fraser—Ha, ha!

Mr CREAN—If wisdom had been displayed before I might not have been here. This Budget incorporates far more decisions than any previous Budget and therefore it will take longer to read. Its overriding theme is one of reform. It is designed both to clear the decks for progress in the years ahead and to ensure that in major areas of concern—social welfare, education, the quality of urban life—real forward moves are made immediately.

THE ECONOMIC CONTEXT

The main elements of the economic situation are strongly rising demand, vigorous growth in output, full employment and external strength. These favourable features are, however, coupled with persistent inflation.

Outstanding recently has been consumer spending. With disposable incomes buoyant, and confidence rising, consumer spending has accelerated and is now running high.

Investment spending presents a mixed picture. The continuing housing boom is straining resources and adding considerably to the upward pressures on prices of homes and land. By contrast, private business fixed investment has been until recently rather weak. However, preliminary figures suggest a strengthening during the first half of 1973.

Public spending continues to rise strongly. Exports too continue to grow rapidly. Imports have gathered pace recently and are now rising fast.

Overall, the economy has responded well to the buoyancy of demand. In 1972-73 non-farm product at constant prices rose by over 5 per cent. The rate of increase, however, was considerably faster than that in the second half of the year.

The labour market has reflected this resurgence. Unemployment has receded markedly, job opportunities have broadened and the workforce has grown rapidly.

For the year ahead, expansionary forces are powerful and likely to remain so. Personal incomes will continue buoyant and keep up consumer spending. This applies to all forms of incomes—farm and other business incomes, social service incomes and the rest, no less than wages and salaries.

Additionally, prospects for private business fixed investment are improving. Domestic demands are already straining productive capacity in many industries. Some of these demands can and will be met by imports; but increasingly they are inducing a strengthening of business investment.

Housing demands, given the backlog of finance approvals not yet translated into bricks and mortar, should continue high. However, we will be seeking some moderate abatement of the private housing boom in 1973-74, both to reduce the strains on the industry and to make room for the substantial expansion of public welfare housing for which we have recently provided.

Public sector demands on the economy will be expanding strongly during 1973-74. Exports also are expected to go on rising.

Overall, non-farm product should grow by as much as 6 or 7 per cent; given a favourable season, gross domestic product could actually better 7 per cent.

Inflation has been and remains our major economic problem. Like other countries, Australia will be grappling with it in the year ahead. However, there will be at least two moderating factors. The first is a high rate of importing. When the year began we expected imports to

increase by some \$800m or 20 per cent in 1973-74; the decision to cut tariffs by one quarter will add further to that increase. We can well afford a strong expansion in imports. By taking some pressure off domestic productive capacity, that will help to ease inflationary strains.

Secondly, the monetary situation will be much less expansive than last year. Particularly in the first half of 1972-73, the money supply rose very rapidly. Since then, we have acted both to diminish our current account surplus on the balance of payments and to cut off excessive capital inflow. In addition, the Reserve Bank has made calls to the Statutory Reserve Deposit Accounts to help mop up excessive bank liquidity. The very successful July loan has also contributed to this.

With resources already under strain, however, we would be foolish to overload them further. In framing this Budget, that consideration has been very much to the forefront.

OUR BUDGETARY OBJECTIVES

The Budget is not simply an economic document. It is also an important instrument whereby we give effect to our goals and aspirations.

In Australia today we are much better at selling cars than providing decent public transport services; much better at building houses than providing sewerage services for them. I could go on, but the point needs no labouring. These priorities are all wrong. However, as the Prime Minister said in his Election Policy Speech, 'We cannot expect to clear away that backlog in three months or even three years'. But we are now embarking on the task.

In doing so, we engaged in a wide-ranging examination of the commitments inherited from previous governments. We believe that proper budgeting requires continuing critical review of existing programs. It is only too easy for inertia to take over—for 95 per cent of budget outlays each year to be pre-determined by the past. It was time for such a thoroughgoing critical review—again that might well have been taken years before—to clear away deadwood, and we cleared some of that, and thereby begin to make room for the programs to which we are pledged. As a first step in carrying out that review the Prime Minister appointed a Task Force under Dr Coombs.

Mr Sinclair—We read about that some months ago.

Mr CREAN—Yes, and the honourable member will be able to judge how much of a leak

it was. He will find that it would not have mattered much if it had been left on the tram. His report, which makes no specific recommendations on individual outlay or tax items, was used by the Government as a working document in our task of balancing existing expenditures with the requirements of our own program. It is being published with the Budget papers. Why people cannot contain their patience about what is in or is not in a Budget until the night of presentation is beyond my comprehension.

In a buoyant and strongly growing economy, with inflationary pressures intense, we are limited by the over-riding need to bring down a Budget which does not add to these pressures.

I do not suggest that we can aim, through the Budget, to do the whole job of curbing inflation. Rather, we aim to attack rising prices by a series of inter-related measures.

We have already taken some far-reaching steps. The Prices Justification Tribunal is now in operation. In December 1972 we acted to appreciate the Australian dollar and thereby restrain price increases. We have cut all protective tariffs by one quarter. The report leading to that decision is being published with the Budget papers. The flood of borrowed overseas funds in 1972 which helped to build up the inflationary pressures now so evident has been stopped. We have acted to reduce excess liquidity.

The Budget too must fit into the overall anti-inflationary policy. With that in mind the Government came to two major conclusions.

First, despite competing demands for resources, the whole thesis of the Government's policies requires that there be some increase in the share of resources going to the public sector.

(Opposition members interjecting)—

Mr CREAN—Honourable members opposite can indicate which ones they would like to cut down on.

Mr SPEAKER—Order! I will name honourable members if they continue to interject. I will see that the Leader of the Opposition when he speaks on Tuesday night next is heard in silence just as I intend the Treasurer to be heard in silence. I warn Opposition members that if they persist in interjecting I will name them.

Mr CREAN—Secondly, given the need to avoid adding to net pressure on resources, it is necessary that the increase in outlays budgeted for be more than covered by increased receipts. In 1972-73 outlays increased about twice as fast as receipts—and I did not draw that year's Budget. The very different economic circumstances

now prevailing dictate a much more circumspect approach.

OUTLAYS

This year, for the first time, we have adopted a classification of outlays based on their functions and purposes. In certain cases items previously treated as revenue are now classified as offsets to outlays. The classification adopted is based on a widely used international standard developed by the United Nations. The functional classification is, I believe, a major innovation which will aid in the understanding of Government policies.

This functional classification is also being used in the three-year forward estimates of Australian Government budget outlays which have been developed in the Treasury over recent years. We give high priority to the further development of this work. Longer-term estimates can provide a much more rational framework for decision-making.

Total budget outlays are estimated at \$12,168m in 1973-74. This is an increase of \$1,938m or 18.9 per cent on actual outlays in 1972-73. Details are set out in Statement No. 4. I shall be briefly outlining our proposals for 1973-74 but not much detail can be given here. Additional information will, as appropriate, be provided by the responsible Ministers.

DEFENCE

The Budget provides for a total defence outlay in 1973-74 of \$1,266m. This compares with actual outlays of \$1,234m in 1972-73, and comprises some 10.4 per cent of total budget outlays. This provision for defence purposes results from careful assessment both of relevant strategic considerations and of the competing demands of other Government programs.

Since coming to office, the Government has successfully implemented its policy for an all-volunteer Army. Pay and allowances for Servicemen have been markedly improved with the adoption of the recommendations of the Woodward Committee on Service Pay and Conditions and an improved Defence Forces Retirement Benefits Scheme. This approach has proved successful, and volunteer enlistments and re-engagements in each of the Services are buoyant.

There will be some re-structuring of the defence forces and manning of particular units in 1973-74 in conformity with the present strategic outlook. This will permit some reduction in civilian manpower and a smaller reduction in Service manpower, mainly in support and other lower priority areas. Australia's defence capability, as a base for future expansion should

the need arise, will be maintained and in some areas improved.

The Government is pursuing its policy of equipping the Armed Services with modern weapons systems. A number of significant defence equipment projects are in hand. These include additional Oberon submarines, improvements to the Charles F. Adams class destroyers, heavy landing craft and anti-submarine cargo helicopters for the Navy; Nomad aircraft, light observation helicopters and radio relay equipment for the Army; and medium lift helicopters, Mirage trainers and new Air Traffic Control Radars for the RAAF. Other authorisations are expected to be announced later in the financial year by the Minister for Defence.

EDUCATION

For this Government, education is a top priority—it constitutes the fastest growing component of the Budget. We will provide \$843m for education in 1973-74, an increase of \$404m or 92 per cent on last year. There will be a further substantial rise in 1974-75 as the programs commencing in 1974 come fully into effect.

Tertiary Education

The assumption by the Government, from 1 January 1974, of full financial responsibility for tertiary education at universities, colleges of advanced education, State teachers colleges and other approved teachers colleges, including the abolition of fees at all these institutions and at technical colleges, will entail additional outlays of \$179m in 1973-74. In addition, the Government's decision to support a program of financial assistance for the recurrent and capital needs of teachers and pre-school teachers colleges from 1 July 1973 will involve it in an outlay of \$33m in 1973-74.

From the beginning of 1974 non-competitive means-tested living allowances will be offered to all full-time un-bonded Australian students admitted to approved courses in tertiary and approved post-secondary institutions; the allowances will be higher than are at present available under existing scholarship schemes. These measures will cost \$32m in 1973-74, or \$17m more than the cost of continuing present schemes with existing benefits.

Increases in allowances will be made in the Government Post-graduate Awards scheme, together with the provision of some additional awards. These new awards and increased allowances are estimated to cost \$531,000 in 1973-74.

Technical and Vocational Training

The Government will increase by \$10m to \$25.6m the unmatched capital grant for the building and equipment costs of technical schools and colleges in 1973-74.

Primary and Secondary Education

To assist low-income families to educate their children in the final two years of secondary school, means-tested educational allowances of up to \$304 per annum will be paid from the beginning of 1974. The cost is estimated at \$1.75m in 1973-74.

The two-year program of capital and recurrent grants for primary and secondary education, arising out of the recommendations of the Interim Committee for the Australian Schools Commission, will commence in 1974. This will require expenditure of \$97m in 1973-74. This program will improve the quality of education in Australian schools and promote greater equality of opportunity in education. Substantial special assistance will be made available to provide for areas of particular need.

Pre-schools

The Government's promise to make one year of pre-school education available to all Australian children will begin to take effect from January next. \$10m has been included in the Budget in advance of the report and recommendations of the Australian Pre-Schools Committee so that a start may be made as early as possible in 1974. In addition, \$8m is being provided to assist in the construction and operation of child care centres.

Other Education Programs

Several other important programs in the field of education are provided for:

\$2m will be provided in 1973-74 for emergency supplementary class-room accommodation in State and non-government schools to facilitate special instruction of migrant children;

subject to negotiating satisfactory arrangements with the New South Wales Government and the University of New South Wales, we are prepared to provide for the establishment of a national post-graduate school of management at that University. \$2.3m will be made available in the 1973-75 triennium, of which \$350,000 is provided this year;

in order to increase the number of social workers in training, special grants will be made available to New South Wales,

Queensland and Victoria to provide additional places for trainee social workers in universities in those States; the value of the grants over the triennium 1973-75 is \$440,000, of which \$162,000 is provided this year.

Education in the Territories

Grants totalling \$54m will be paid to the Australian National University and the Canberra College of Advanced Education in 1973-74. Outlays on schools and technical colleges in the Australian Capital Territory and the Northern Territory are estimated at \$57m in 1973-74, compared with \$52m last year.

HEALTH

In this Budget we are making the first financial provisions for reforming health services in Australia.

Universal Health Insurance Program

The present health insurance scheme is inequitable and inefficient. This Government intends to introduce a fair and universal health insurance program. A Health Insurance Commission is to be established to administer the program, to operate from 1 July 1974. \$8m is provided in the Budget for the purchase of computing equipment for the program. We are providing \$361m to meet the Government's commitments in 1973-74 under the existing scheme.

Community Health Facilities and Services

The establishment of regionally organised, community-based health services, with their emphasis on rehabilitation and preventive rather than curative health measures, must not be delayed any longer. Accordingly, we are making an initial allocation of \$10m in 1973-74 to assist States and eligible organisations to meet the capital and operating costs of providing such services.

We have also allocated \$7.5m to assist the States to develop community-based mental health, alcoholism and drug dependency services. An additional \$1.75m is included to meet the remaining commitments towards the capital costs of mental health institutions.

Capital Cities Hospital Development Program

The Hospitals and Health Services Commission is assessing hospital and health service requirements throughout Australia. In the interim, \$4.5m is being provided in 1973-74 to meet urgent needs for additional hospitals in Sydney, Melbourne and Brisbane. Of the total,

\$4m will be provided towards the costs of planning and commencement of construction of a major hospital at Westmead in Sydney, and \$250,000 in each case towards the cost of acquiring sites and preparing plans for major hospitals in Melbourne and Brisbane.

School Dental Scheme

A sum of \$7.9m is included in the Budget for the national school dental scheme in 1973-74.

Hearing Aids

We propose to abolish the \$10 charge currently paid by eligible pensioners and their dependants who are supplied with hearing aids by the Government Acoustic Laboratories. Also, the Laboratories will supply these persons with hearing aid batteries free of charge.

Home Nursing

The Hospitals and Health Services Commission will be examining ways to encourage the expansion of home nursing services. Pending the receipt of its recommendations, we propose to increase, with effect from 1 September 1973, the existing subsidy to approved organisations providing such services. For organisations established before September 1956, the annual Australian Government payment for each nurse who attracts subsidy will be increased from \$4,300 to \$4,700. For organisations formed after that date, the annual subsidy for each nurse employed will be increased from \$2,150 to \$2,350. As at present, the Australian Government subsidy to any organisation will not exceed that paid to the organisation by a State. The increase in the subsidy is expected to cost \$155,000 in 1973-74.

Anti-Smoking Campaign

Advertising of cigarettes and cigarette tobacco on radio and television is to be phased out over three years. In addition, the Government will continue to support anti-smoking education programs through the National Warning Against Smoking Campaign. A sum of \$500,000 will be directed towards this campaign in 1973-74.

Free Milk for School Children

The Government has decided to enter into discussions with the State Governments with a view to modifying the free school milk scheme as from 1 January 1974, or as soon as possible thereafter. The modified scheme will apply only to children at specific community schools and others selected on a 'needs' basis to be agreed with State health authorities. Other than in these limited

areas, there is no longer any justification for the scheme on nutritional grounds; it is an outstanding example of a scheme that has long since outlived its purpose but has been allowed to continue at a cost running presently at \$12.7m per annum.

SOCIAL SECURITY AND WELFARE

Australia was once a leader in the provision of welfare services. It is so no longer but this Government intends to change that state of affairs.

Social Security Benefits

Since 2 December much has been done to improve social security benefits. We shall now do more.

All social service pensions will be increased by \$1.50 per week as soon as legislation can be enacted, thus bringing to \$23 per week the rate for single aged, invalid and widow pensioners and to \$40.50 per week the combined rate for a married couple. This increase will apply also to supporting mothers benefit, sheltered employment and rehabilitation allowances, and unemployment and sickness benefits. Further increases of the same amounts will be made in the Autumn session.

Additional pensions and benefits payable in respect of dependent children, including student children, are to be increased by 50c to \$5 per week.

The increases in the rates of social service pensions and benefits will also apply to repatriation service pensioners and to recipients of tuberculosis allowances.

We propose also to introduce a new benefit of \$10 per week to be payable in respect of children whose parents are both dead.

We have promised to abolish the means test on age pensions payable to residually qualified persons 65 years of age and over within the life of the Parliament. As the first step, the means test on age pensions for persons 75 years of age and over will be abolished from the Spring of 1973. The means test will also be abolished for repatriation service pensions for persons 75 years of age and over. The cost is estimated at \$40m in 1973-74.

Abolition of the means test does, however, give rise to problems of equity. (Opposition members interjecting)—

Mr CREAN—Listen carefully. After all, this was suggested by yourselves. At least honourable members opposite can begin to see how it is to be implemented. There are others outside this

House who may want to listen. Unless age pensions are taxable, aged persons on higher incomes would be put in a privileged position by comparison not only with pensioners on lower incomes, but also with people below pensionable age on equivalent or smaller incomes and paying tax on the whole of that income. It is necessary, however, in introducing taxation of age pensions, to ensure that pensioners in the lower ranges are not disadvantaged. The Government proposes therefore that age pensions should become taxable but that special steps be taken to protect those wholly or largely dependent on pensions from detriment.

The existing age allowance cannot do this. Indeed, the age allowance has been anomalous ever since the introduction of the tapered means test and we propose to abolish it with effect from the beginning of this income year. The Government proposes that all pensions, excluding supplementary payments, paid under the social security legislation to people of pensionable age, including wives of age pensioners, will be taxable. Equivalent pensions paid under the Repatriation legislation to people of age pension age, but not war pensions, will also be subject to tax. A basic tax rebate of \$156 will be given in 1973-74 to aged people. This will ensure that persons wholly or largely dependent on pensions will not have to pay any tax. The rebate will reduce by 25 cents in the \$1 for each dollar of taxable income in excess of \$2,236 and will be limited to the amount of tax otherwise payable. The rebate will be phased out as it serves its purpose.

Home Care Programs for the Aged

We propose to increase subsidy payments by the Australian Government under the States Grants (Home Care) Act from one-half to two-thirds of State expenditure on such services. It will be a condition of this additional assistance that a State's own expenditure be not reduced below its present level.

We propose, in addition, to double the Australian Government's present contribution towards the capital cost of senior citizens centres to \$2 for every \$1 contributed by a State Government or local governing body, and we will increase from one-half to two-thirds the Australian Government's contribution towards the salaries of welfare officers employed at such centres.

The basic rate of subsidy paid to 'meals-on-wheels' services under the Delivered Meals Subsidy Act will be increased from 15 cents to 20 cents per meal. The increased subsidy will

become payable from 1 January 1974 and will apply retrospectively to meals delivered since 1 January 1973. To facilitate the financial arrangements of 'meals-on-wheels' organisations we will, from 1974 onwards, make payments to them on a quarterly rather than an annual basis.

The present rate of subsidy to eligible organisations providing personal care services for the aged in approved hostel accommodation will be increased from \$10 to \$12 per week for each resident aged 80 years or more. The same subsidy will be paid also in respect of residents of approved hostels who though not yet 80 years of age require and are receiving approved personal care services.

Rehabilitation Services

We are proposing improvements in rehabilitation services. Details will be announced by the Minister for Social Security.

Australian Assistance Plan

The need for social planning at the regional level was recognised in a major election proposal, the Australian Assistance Plan. A pilot program is being started. Regional Councils for Social Development will be established at an estimated cost of \$1.5m in 1973-74.

Regional Offices

To improve personal service and attention in those areas presently poorly covered, we are embarking on a considerable expansion of the Regional Office network of the Department of Social Security; a \$1m program will be implemented in 1973-74.

Handicapped Childrens Benefit

The Handicapped Childrens Benefit will be doubled to \$3 per day.

REPATRIATION BENEFITS

Repatriation benefits are being substantially increased.

The Special Rate pension, or its equivalent, will be increased by \$4.50 per week to \$55.60 during the Budget sittings, and by a further \$4.50 to \$60.10 during the Autumn sittings.

The maximum General Rate war pension will be increased by \$3 per week to \$19 during the Budget sittings and by a further \$3 a week to \$22 during the Autumn sittings. The Special Compensation Allowance will be reduced by \$3 during the Budget sittings and eliminated in the Autumn.

There will be an increase of \$1.50 per week in the rate of war widows pension in both the Bud-

get and Autumn sittings. Domestic allowances will also be increased by \$1 a week in the Budget sittings.

New benefits to be introduced in the Repatriation field this year include free medical and hospital treatment for all returned servicemen of the Boer War and World War I, and free treatment of malignant cancer for ex-service personnel who served in a theatre of war.

We have decided that 25 per cent of war pensions will be disregarded as income for the purpose of calculating Repatriation service pension payments.

We will arrange for Repatriation Artificial Limb and Appliance Centres to be expanded so that, in addition to their present functions, they can arrange the supply, either directly or through commercial limb makers, of artificial limbs, free of charge, to all persons in the community who need them.

ABORIGINAL ADVANCEMENT

Since achieving Government we have been active in the cause of the Aboriginal citizens of this nation. This Budget provides a major expansion in activity. Outlays on Aboriginal advancement will total more than \$117m in 1973-74, almost double the level in 1972-73. Improvements in housing, health, education and employment training facilities and opportunities are the prime objectives.

HOUSING AND COMMUNITY AMENITIES

We propose action on several fronts to help meet the housing needs of low-income families and intending home buyers.

Welfare Housing

At the Premier's Conference in June we agreed to advance \$219m to the States for welfare housing purposes in 1973-74. This is 26 per cent more than in 1972-73.

Defence Service Homes

An amount of \$102m, \$28m more than last year, is being provided for housing loans under the Defence Service Homes Scheme in 1973-74.

Deductibility of Mortgage Interest

The Government proposes to introduce during the coming Autumn Parliamentary session legislation to provide for a scheme of deductibility of mortgage interest as promised in the Policy Speech, to have effect from 1 July 1974. In the light of that we have decided to end the Home Savings Grant Scheme.

Opposition members—Oh!

Mr CREAN—If honourable members opposite will listen they will see that we do not do things suddenly and that what we put back is better than what we take away.

Grants will continue to be paid on homes contracted to be bought or built, or to be commenced by an owner-builder, on or before 31 December 1976, by persons who have commenced to save in the prescribed manner before this announcement. This will give those who have only recently commenced to save for the grant time to complete their three years saving and to acquire a home.

Housing in the Territories

We are providing a net \$38.6m for housing in the Australian Capital Territory and Northern Territory in 1973-74, nearly 40 per cent more than last year. The Government has decided that there is no longer justification for concessional rentals for government housing in the Territories, including housing provided through the Northern Territory Housing Commission. Full economic rentals will apply to government housing in the Territories from the earliest date practicable. As a first step, pending that, the present maximum rental of \$15 per week paid by public servants in the Northern Territory will be increased to \$25. Special assistance will continue to be given to needy tenants of Government houses in both Territories.

CITIES

Cities—both old and new—will be a continuing focus of our attention and efforts. We have pledged to involve ourselves directly in the cities. Australia is essentially an urban nation; the overwhelming majority of Australians live in cities and towns. We are seeking to work with the States and with their authorities, especially at the local government level, in a major effort to improve our urban areas and make life in them more pleasant and more purposeful. Already in our brief period of office we have taken important steps to that end. The Department of Urban and Regional Development has been established to provide the overall co-ordinating machinery for our policies. A Cities Commission is operating to provide expert independent advice and work in close consultation with the States on technical aspects of our cities initiatives.

This Budget provides in total for expenditure of \$136m in 1973-74 for our cities initiatives. Even so, this marks only the beginning.

Growth Centres

An amount of \$33m has been provided for expenditure on Albury/Wodonga and other

growth centres in 1973-74. The States will be invited to enter into agreements in 1973-74 for the development of these growth centres as alternative high-quality urban living environments. Also provided is about \$2.7m for specific activities of the Cities Commission in facilitating preparatory planning and feasibility studies and associated technical work required for growth centres.

Land Commissions

A further basic element of our cities initiatives relates to land. We have initiated negotiations with all the States for the establishment of Land Commissions designed to provide Australian families with land at fair prices. The functions of Land Commissions may also include the acquisition of land for national parks, the national estate and scenic and recreational pursuits and funds are provided in the Budget for these purposes. The Australian Government will be prepared to provide assistance of up to \$60m to the State by way of repayable loans to meet expenditures deriving from commitments entered into by them during 1973-74 for the acquisition of land for urban development and is providing \$30m in this Budget for expenditures during 1973-74 for this purpose. Again, this should be seen as merely the beginning of a continuing involvement by the Australian Government in land acquisition and management for the benefit and welfare of the whole community.

Sewerage

We have undertaken to overcome the national backlog in sewerage services in major urban areas. This initiative is well advanced. State and other instrumentalities are geared to making a start on the physical task. So that real progress can be achieved in 1973-74, the Budget provides for \$30m to be advanced to the States as a first step towards this objective.

Western Sectors of Sydney and Melbourne

The Western sectors of our two major cities illustrate in their most acute form the problems typical of our urban areas. In this Budget we have made provision for the urgent task of assisting local councils in these two areas. This assistance will cover such items as surveys and investigations, administrative and technical assistance and housing and welfare demonstration projects. Amounts of \$5m for expenditure in Sydney and \$3m in Melbourne have been provided for in 1973-74. The specific programs will be worked out with the appropriate State and local government authorities.

Urban Public Transport

Another key initiative designed to improve the quality of urban life is our program to provide efficient and economic public transport systems in Australian cities. A provision of \$32m has been made in this Budget for assistance to the States for upgrading urban public transport services. The detailed arrangements are being worked out with the States and it can be expected that our outlays in this field will increase rapidly in 1974-75 and beyond as this major new capital works program gets under way.

Protection of the Environment

The Australian Government is supporting a wide range of activities in the field of environmental protection and conservation.

Provision is made in this Budget to contribute \$150,000, on a matching basis with the States, towards the establishment of an Australian Environment Council Fund that will enable the Council to commission selected environmental studies.

We propose to establish an Interim Council to be responsible for stimulating the scientific study of Australia's biological resources and an amount of \$120,000 is provided in the Budget for this purpose.

CULTURE AND RECREATION

The Budget provides for significant developments over a wide range of cultural and recreational needs.

National Library

\$7m will be provided for the National Library in 1973-74, including a provision of about \$100,000 for the initial development of scientific and technological information services.

Australian National Gallery and Collection

\$4.7m is provided for additions to and maintenance of the national collection, and for activities associated with the construction of the National Gallery.

Assistance to the Arts

Provision is made for expenditure of \$14m on the programs of the Australian Council for the Arts—an increase of \$7.3m on 1972-73 expenditure.

Film and Television School

The Film and Television School will provide training courses and open-school activities for the industry, educational institutions and community groups. It will co-ordinate the granting of

financial assistance for film and television training both in Australia and overseas. The Budget provision is \$292,500.

Recreation and National Fitness

The Government aims to facilitate the creative use of leisure time. Our proposals include the provision of \$3.2m for the development of community recreation complexes and we will continue discussions with the States on the development of multi-purpose community centres in schools.

We also propose to increase the annual grant to the National Fitness Council in 1973-74 from \$600,000 to \$1m, and \$1m will be provided to assist sportsmen and sportswomen to participate in national and international events

National Estate and National Parks

The Government will legislate in this session to establish an Australian National Parks and Wildlife Commission and Service. \$3m will be provided for the acquisition of land for the development of national parks within the States, and to preserve the national estate. Although the precise allocation of funds between the two programs is to remain flexible, tentative allocations of \$500,000 and \$2.5m respectively are proposed.

Broadcasting Services

It is the Government's policy to increase the quality and content of Australian programs in radio and television. To enable the Australian Broadcasting Commission to play its full role in this respect, almost \$76.5m, or \$10m more than in 1972-73, has been provided for operational expenditure by the ABC. An amount of \$11.3m has also been provided for expenditure on capital equipment, including equipment required for colour television.

Broadcasting Station Licence Fees

The fees for commercial broadcasting station licences will be increased. It is expected that the increase will yield about \$120,000 in the year 1973-74. The higher fees will apply to licence renewals from tomorrow. Details will be announced by the Minister for the Media.

IMMIGRATION

The immigration program for 1973-74 is 110,000 settlers, the same as the revised 1972-73 program. The number of assisted migrants is expected to increase from 57,000 in 1972-73 to 60,000 in 1973-74.

Embarkation and passage costs of the program are expected to increase from \$18.7m to

\$20.1m in 1973-74, although much of this rise will be offset by the recent increase in migrant contributions to passage costs. Total outlays associated with the immigration program, net of recoveries and repayments, are estimated to be \$51.6m this year compared with actual expenditure of \$47.6m in 1972-73.

ECONOMIC SERVICES

I turn now to the various services and forms of assistance provided by the Australian Government to industry and the community generally.

TRANSPORT AND COMMUNICATION

Post Office

The Post Office investment program needs to provide for normal growth in demand and maintenance of service standards. An advance of \$320m is provided in the Budget to help the Post Office finance its investment program in 1973-74, compared with \$288m in 1972-73.

To provide additional resources and at the same time reduce the heavy deficit in prospect on the postal services, some increases in Post Office charges and certain cost-saving measures are proposed. Certain concessions which the Government considers no longer justified will be eliminated. Among these are concessional postage rates on registered newspapers and periodicals, concessional tele-communications charges to the media and the low telephone rentals that have applied in non-metropolitan areas up to now. The basic postage rate of 7 cents will not be changed some other postal charges and charges for a range of tele-communications services used primarily by business subscribers will be increased. The telephone connection fee for new subscribers will be increased from \$50 to \$60.

Details of these and other measures will be announced by the Postmaster-General.

Airports and Airway Facilities

The annual cost of providing and operating airport and airway facilities is currently running some \$70m above the annual revenues received from their use. We see no reason why the general taxpayer should subsidise air services in this way. We propose to increase the rate of recovery of the costs of civil aviation to 80 per cent within five years. Air navigation charges to the airlines will be increased from 1 December 1973 by 10 per cent, the maximum increase presently permitted under the terms of the Airlines Agreements with the two major domestic airlines. There will be a substantially larger increase in general aviation charges. This will

yield additional revenue in 1973-74 of \$1.75m. We propose also to move immediately to renegotiate the Airlines Agreements so as to remove the constraints on rates of increase in air navigation charges and aviation fuel taxes.

We have also adopted a policy of recovering the full economic costs of airport terminals from occupants. This policy will be applied in respect of future terminals, and existing terminals as present lease agreements expire.

We have decided that all future proposals for investment in civil aviation projects should be subjected to economic evaluation.

Air Service Subsidies

The Government will continue to provide financial assistance for the operation of air services to remote areas during 1973-74. An amount of almost \$2m is included in the Budget for this purpose. We have decided, however, to phase out these subsidies progressively. Subsidies for so-called 'essential rural' services to some country centres will cease on 30 June 1974. Subsidies for 'developmental' air services will be phased out over a period of four years.

Department of Civil Aviation Aircraft

To enable the in-flight testing of the large and growing number of air navigation aids, three turbo-jet aircraft will be ordered for the Department of Civil Aviation this year. The estimated cost of the aircraft and associated items is \$15m of which \$700,000 is required this year.

Light Dues

Marine navigation aids are now provided to users at less than full cost. To remove this burden from the general taxpayer we propose to increase light dues—the charges to shipping for the use of these facilities—from 25 cents to 31 cents per net registered ton per quarter from 1 October 1973. This is estimated to yield an additional \$1.6m in 1973-74.

Tasmanian Shipping Services

The Australian National Line loses at least \$1.5m per annum on sea passenger services to Tasmania. Given the importance of this tourist link to Tasmania, the Government has approved a subsidy of \$1m per annum to continue the operation of the 'Empress of Australia' passenger services. This will be reviewed in three years. Changes in passenger and vehicle rates will be made and other arrangements pursued with a view to reducing the present rate of loss.

Pipeline Authority

The Budget provides for an advance of \$107m

to the Pipeline Authority for the purpose of constructing a natural gas pipeline from the Cooper Basin gas fields in South Australia to Sydney.

INDUSTRY ASSISTANCE

This Government supports the development of sound and healthy industries in Australia as being basic to the growth of a modern industrial economy. But to achieve this objective it is essential that industry be competitive and responsive to the challenge of economic change, and that such assistance as the Government does provide facilitates desirable change and does not impede it by propping up uneconomic and contracting industries. Against this background we have carefully examined the arrangements for assistance to industry which we inherited from the previous Government.

In what follows I deal primarily with the outlays side. I come later to assistance provided in the past through taxation concessions.

Assistance for Agricultural and Pastoral Industries

Details are provided in Statement No. 4.

As already announced, the Government has decided to phase out the bounties on butter and cheese production over the next two years and to place increasing emphasis on adjustment of the industry. Butter and cheese bounty payments will thus be reduced by \$9m, to \$18m, for 1973-74 and to \$9m for 1974-75. They will then cease. The processed milk products bounty, the rate of which is tied to the butter and cheese bounty, will be phased out simultaneously.

Meanwhile, the Government will examine the most effective way of further assisting the industry to adjust to changing circumstances. We will stand ready to provide additional funds for this purpose.

The Government has decided to impose a charge on the export of meats, to recoup from the meat industry the substantial expenditure incurred by the Government for the benefit of the industry on export meat inspection services.

From 1 October 1973 to 30 June 1976, the charge will be 1 cent a lb on meat exports. The charge is expected to yield \$14m in 1973-74.

The Government has also decided to recoup from the beef industry the expenditure incurred in the campaign to eradicate bovine brucellosis and tuberculosis. The amount to be recouped in 1973-74 will be approximately \$6m. Details will be announced by the Minister for Primary Industry in due course.

Rural Credit

As already announced, \$20m is provided in the Budget to facilitate long-term rural lending by the Commonwealth Development Bank for a wider range of purposes, namely financing of farm purchase, repayment of short-term debts in appropriate cases and holding a farm together after the death of a farm proprietor.

Rural Reconstruction

The whole of the \$100m provided only two years ago for expenditure on rural reconstruction has now been committed, although the agreement with the States has two years to run. The Government will introduce legislation to extend the scheme to 30 June 1976 and is providing \$47.2m in this Budget for expenditure in 1973-74. In addition, the fruitgrowing reconstruction scheme will be extended to 30 June 1974 at an estimated cost of \$2m. These measures will facilitate the adjustment of rural industries to changing market trends.

Mining Industry

The Government has decided to undertake an exploration program to add to knowledge of recoverable coal reserves. The Budget provides \$1m for a coal exploration drilling program.

The Government's contribution to research and investigation undertaken by the Joint Coal Board is to be phased out by 30 June 1975. The contribution was \$200,000 in 1972-73; in 1973-74 it will be \$167,000.

Manufacturing Industry

A review will be made of the Industrial Research and Development Grants Scheme. Firms will be assisted to commence research and development and thereafter will be required to finance such activities themselves.

We propose to set a limit on the amount of grant payable to any one company or its wholly-owned subsidiaries for any one grant year. Also we are extending the scheme to enable consideration of applications from companies—generally smaller concerns—which perform worthwhile research and development under the direction of personnel who possess practical skills and experience but who lack formal qualifications. The Budget allocation for the grants scheme in 1973-74 is \$16.5m, compared with expenditure of \$14.0m in 1972-73.

The main effort to encourage higher standards of industrial design in Australia is undertaken by the Industrial Design Council. Last year the Council received \$213,000 from the Government of which \$168,000 was conditional on the

State and industry matching contributions. It will be increased this year to \$340,000, of which one-half is conditional on matching.

Mr Whittorn—Tell us about revenues.

Mr CREAN—I will come to that, if you will be patient.

Australian Investment Overseas

We are establishing an Interdepartmental Committee to examine and report on the general issue of the encouragement of private Australian investment overseas. Meanwhile, we have decided to provide \$100,000 in 1973-74 for this purpose.

Tourism

The Government will expand the scheme of grants for tourist attractions introduced last year. \$2m is being provided in 1973-74 for this purpose.

We are also providing \$320,000 in 1973-74 for expenditure on domestic tourism promotion by the Department of Tourism and Recreation. Up to now promotional expenditure by the Australian Government has been directed towards international tourism through the Australian Tourist Commission.

Petroleum Products Prices Stabilization

The Petroleum Products Prices Stabilization Scheme provides a subsidy to users of certain petroleum products in non-metropolitan areas, such that wholesale prices in those areas do not exceed metropolitan prices by more than 3.3 cents per gallon. The Government proposes to increase the margin specified in the scheme to 5 cents per gallon. This will save about \$3m on expenditure which would otherwise have arisen this year.

EMPLOYMENT CONDITIONS

It is important that the labour force be trained—and re-trained where possible—to meet present day requirements. The Budget provides for new expenditures directed towards that end, including:

\$1.83m to encourage improved apprentice training and strengthening of the program for the improvement of training in industry and commerce;

\$200,000 to encourage greater participation of Aborigines in the Employment Training Scheme for Aborigines;

\$750,000 to inform the public of the nature and extent of the Government's various industrial and employment training initiatives.

OTHER ECONOMIC SERVICES

When reducing all non-revenue tariffs by one-quarter on 18 July, the Government also announced the immediate establishment of a Tribunal to recommend appropriate assistance to firms and employees who may be affected seriously by this measure. An initial budgetary provision of \$25m has been made to meet the cost of such adjustment assistance in 1973-74.

The Government has decided that the Export Payments Insurance Corporation should pay interest on its existing and any future provisions of Government capital at the long-term bond rates ruling at the date of the provision of the capital. It is proposed to phase in this policy over three years in order to enable the Corporation to adjust its premium fixing policy to offset the loss of income thereby involved. Savings in 1973-74 will total \$160,000.

GENERAL PUBLIC SERVICES

Road Safety

The Government will provide \$3m in 1973-74 for grants to the States for a one-year program of traffic management and improvements at locations with poor accident records. We will also provide \$825,000 for road safety promotion and research—an increase of \$250,000 over 1972-73—as well as the annual grant to the States of \$150,000 for promotion of road safety practices.

Surf Life Saving

We propose to continue in 1973-74 the existing annual grant of \$50,000 to the National Council of Surf Life Saving Associations and in addition we will provide assistance of up to \$100,000 during 1973-74 to the National Council to assist surf life saving clubs, on a \$1 for \$1 basis, in the purchase of surf life saving rescue equipment.

Legal Aid

In furtherance of its policy on legal aid, the Government has introduced an Aboriginal Legal Aid Scheme, appointed an Expert Committee to examine all aspects of legal aid in Australia, initiated a study of a possible salaried legal aid service, and instituted a comprehensive administrative scheme of legal aid in the Northern Territory. In addition, provision has been made for a grant of \$2m to the State Governments to supplement their existing legal aid schemes.

Media Services

The Government has decided to publicise Government activities through the media so that

the people may become aware of their rights and responsibilities, the Government's own special responsibilities, and the overall functions of Government. A provision of \$1.25m has been made for this purpose in 1973-74.

EXTERNAL AID

Outlays from the Budget on external aid, including defence aid, will increase from \$257m in 1972-73 to \$334m in 1973-74. Most of this increase will occur in aid to Papua New Guinea and is associated with that country's movement towards self-government and independence. A comprehensive statement of Australia's foreign aid program is given in the document on that subject being tabled with the budget papers.

RECEIPTS

At existing rates of taxation and charges, including the lower customs duties announced in July, receipts in 1973-74 are estimated to increase by \$1,621m to \$11,142m. That estimated increase falls well short of the estimated increase in outlays of \$1,938m. We have therefore found it necessary to raise additional revenue.

Aided by the Coombs Report the Government has reviewed a large number of 'disguised expenditures'—that is, revenue concessions. The Government has decided to modify or abolish a number of these concessions. We are doing so in the interests both of tax reform generally and of the ordinary taxpayer, who has to bear higher taxes than otherwise simply because the tax base has been so heavily eroded by concessions for sectional purposes. The saving to revenue in 1973-74 will be \$116m and will rise sharply in later years. Details are set out in Statement No. 5.

Mr Chipp—What a way to present a Budget. What are they?

Mr CREAN—I will tell the honourable member if he is quiet and listens. I am sure he is capable of listening even if he is not capable of acting. There are a number of tax concessions for the mining industry, the original purposes of which have vanished. At present, all profits from gold mining, 20 per cent of the profits from mining certain prescribed minerals, and income derived by prospectors from the sale of mining rights are exempt. In addition, dividends paid out of those categories of exempt income and dividends, up to the level of deductible capital expenditures, paid out of profits from the sale of oil and natural gas, are exempt. The exemptions of profits from gold mining and 20 per cent of profits from mining prescribed minerals will be withdrawn commencing with this income year.

Income from the sale, after today, of mining rights, and dividends in the categories I have mentioned which are declared after today, will not be exempt.

There is a variety of concessions subsidising capital expenditures or encouraging otherwise uneconomic investment that the Government has decided to end.

The investment allowances for manufacturing and primary production plant allow a deduction of 20 per cent of the cost of the plant over and above normal depreciation, so that 120 per cent of the cost is deductible over the life of the plant. These allowances will not apply to expenditure incurred after today except where it is incurred under a contract already entered into and, in the case of manufacturing plant, is incurred by 30 June 1975.

Some capital expenditures by primary producers are wholly deductible in the year in which they are incurred, while others are subject to accelerated depreciation over five years. The deductions unduly favour those benefiting, and are seized upon by some, including 'Pitt Street farmers', to avoid tax. They can lead to resources being channelled into uneconomic activity and, in the process, may have questionable environmental consequences.

The concessions will not apply to expenditures incurred after today unless under a contract already entered into. In future, deductions will be allowed as ordinary depreciation for plant and structures, and over ten years for other items.

I turn now to certain major anomalies in the rates of tax levied on particular classes of companies. The general public company tax rate is 47.5 per cent, but private companies, life insurance companies and certain other companies pay less on some or all of their income. The differentials involved arose on no grounds of principle—indeed, there are no reasons why private and public companies should not be treated alike so far as the company tax rate is concerned. The differentials will be removed except in the case of co-operative and non-profit companies.

This will mean that, with the exceptions mentioned, the lower rate of tax on the first \$10,000 of income will be abolished. Its existence encourages tax avoidance by means of company splitting. Mutual income of life insurance companies, which except for the first \$10,000 of income has been taxed at 42.5 per cent, will be taxed at 47.5 per cent immediately, to apply in respect of 1972-73 income. A consequential change will be made to the rates on the 1973-74

investment income of a superannuation fund that does not observe the 30/20 rule. Private companies will pay tax on the whole of their 1972-73 taxable income at a rate of 45 per cent. For subsequent years they will be taxed at the public company rate.

The Government proposes two other changes in the basis on which life insurance companies are taxed. Life insurance companies pay remarkably little tax in all of the relevant circumstances. Their taxable income is assessed on a most generous basis. A special deduction frees from tax an amount of income equal to 3 per cent of calculated liabilities, and the rebate of tax on dividends confers an over-generous benefit. In respect of 1973-74 incomes the special deduction will be reduced from 3 per cent to 2 per cent of calculated liabilities, and the amount of dividends subject to rebate will be diminished by an appropriate part of the deductions allowed for calculated liabilities and expenses of general management.

The income tax deduction for private rates and land tax, which now has no upper limit, will be subject to a ceiling of \$300 commencing with the income year 1973-74 and will be available only for a principal place of residence.

It is proposed to remove deductibility for gifts to war memorial funds, a concession that has been widely exploited. Gifts to appeals already launched will be deductible for 1973-74 but no deductions will be allowed thereafter.

There exists a remarkable anomaly in the basis of valuation of trading stock manufactured from grapes. A special provision permits a winemaker to value such stock for taxation purposes at any figure he chooses, provided only that it is no less than certain prescribed minimum values that have not been increased since the provision was introduced in 1953. A substantial deferral of tax results. The economic condition of the industry—including the transfer of a large part of it to foreign ownership—has changed markedly since 1953. If there ever was a case for a special basis of valuation it no longer exists. The provision will be repealed, and valuation in accordance with the general provisions of the law will be phased in by three annual steps starting with end-1973-74 valuations.

I turn now to the area of sales tax. The exemption from sales tax on non-alcoholic carbonated beverages containing not less than 5 per cent of Australian fruit juice will be abolished, with effect from tomorrow.

Mr Katter—The kids get no milk and now no soft drinks.

Mr CREAN—If the honourable gentleman will listen I will tell him why this has been done. The ostensible purpose of the exemption is to enlarge the market for fruit grown in Australia. As such, it is a classic case of using the wrong instruments to achieve an objective. Of the \$25m a year which the exemption costs, only a fraction finds its way to the fruitgrowers. In abolishing the exemption the Government stands ready to provide such funds as may be necessary to assist with the reconstruction of any sectors of the fruitgrowing industry that may be affected.

Several of our decisions designed to correct shortcomings in the taxation system affect customs and excise duties. Two of them merely bring the application of duties into line with current technology and practice. They are a reduction in the wastage allowance on imported tobacco leaf to levels approximating present day actual wastage, and an increase in the specified dutiable contents of standard bulk beer containers to the actual average fills which are larger, now that stainless steel containers are widely used, than they once were. Both of these changes will take effect from tomorrow.

Mr MacKellar—How much?

Mr CREAN—They are just technical changes to measure honestly the real tobacco content and the real beer content of the keg.

It has also been decided to abolish the difference in the rates of duty on brandy and on other spirits by raising the duty on brandy in three equal annual steps, commencing tomorrow. The differential, which was introduced in 1953-54 as an emergency measure, is anomalous and provides the industry with an advantage over its domestic competitors which cannot be justified.

It has been decided—for you world travellers—to reduce the very generous duty free concessions on cigarettes, tobacco and liquor for passengers arriving in Australia. As from 1 October 1973 they will become 200 cigarettes or 250 grams of tobacco, or an equivalent quantity of cigars, and one litre of liquor.

We have also taken some decisions affecting taxation in the Australian Capital Territory and Northern Territory. The rate of pay-roll tax in both territories will be increased from 2 1/2 per cent to the present State level of 3 1/2 per cent from 1 September 1973, and from 1 July 1974 to the projected State level of 4 1/2 per cent. Stamp duties in the Northern Territory will be increased to the levels ruling in the Australian Capital Territory. There will be increases in drivers licence

and motor vehicle registration fees in the Australian Capital Territory.

The increased revenue arising from the decisions I have announced so far will go some way towards providing the additional revenue required in 1973-74 and towards financing our continuing programs in later years. I reiterate however that the primary objective of these decisions is not one of short-term revenue raising. It is to remove the accumulated distortions in the structure of the revenue system. The waste, economic injustice and misdirection of resources involved have not only hindered economic growth but have also given rise to much resentment as taxes generally have had to rise to offset the erosion of the tax base.

Other Structural Measures

The Government proposes two other measures, in the income tax area, not primarily for their revenue yield but to improve the tax structure.

First, the law relating to taxation of casual profits from the resale of property will be amended to increase certainty and reduce abuse. Where real or personal property is disposed of within twelve months of acquisition any profits made will generally be treated as assessable income of the taxpayer. An important exception will be made to meet the case of a taxpayer who sells his residence in consequence of changing his place of employment. For disposal outside the twelve-month period the ordinary law will apply. The special provisions inserted last year in relation to share transactions will be repealed. The new provisions will apply to property acquired after today. Full details will be available when the legislation is introduced.

Secondly, in this year we shall commence to move towards a system for collecting company tax by quarterly instalments. This will serve a dual purpose of reducing inequity and improving economic management. The large seasonal swings in monetary liquidity associated with the concentration of company tax payments in the last quarter of the financial year are a hindrance to economic management. A more even spread of such payments would improve matters considerably. The move to quarterly payments will be phased in over three years, commencing in 1973-74. This year, one instalment of 25 per cent of tax will be payable before 1 January 1974, the balance being payable by the ordinary due date. This measure is thus concerned with the timing rather than amount of tax paid by companies.

Other Revenue Measures

Despite the revenue arising from these decisions, further revenue measures are needed. Personal income tax paid in 1973-74 is estimated to rise by \$1,089m or close to 27 per cent. Even apart from the Policy Speech statement on income tax rates this fact militates against looking to personal income taxation for even more revenue. Companies particularly will be affected by several of the more important decisions I have already announced, as well as, in some sectors, by our tariff reduction decisions. It is therefore not proposed to take any further revenue-raising measures in that area. Those which we propose are in the field of customs and excise.

The increasing usage of motor vehicles, including commercial vehicles, imposes heavy costs on the community. I refer not only to the costs of roads but also the costs of police, traffic control, accidents and pollution. Australia, which on a per capita basis is one of the world's most motorised nations and thus especially subject to these costs, levies comparatively low taxes on petrol. A recent OECD study indicated that, of the OECD members, only in Portugal and the United States were taxes on fuel a lower percentage of gross domestic product than in Australia. Meanwhile public transport services and urban services generally have been held back by lack of funds.

The Government has decided to raise the bulk of the additional revenue it requires by increasing the duty on motor spirit and on aviation gas, aviation turbine fuel and diesel fuel. The increase will be equivalent to 5c a gallon in each case save diesel fuel, where the increase will be fractionally less in order to bring the duties on motor spirit and diesel fuel, which currently differ by the equivalent of 0.2c a gallon, into line. The question whether an excise duty should be levied on liquefied gas used in motor vehicles is being put under study.

These increases will raise an estimated \$130m in 1973-74 and \$157m in a full year.

The duty on cigarettes, tobacco and cigars will be increased. The increases will be equivalent to 5c of duty on the average packet of 20 cigarettes. Equivalent increases in duty will apply to other tobacco products. The increased duty will raise an estimated \$63m in 1973-74 and \$76m in a full year.

The duty on potable spirits will be increased by the equivalent of about 3c a nip. This increase is estimated to yield \$30m in 1973-74 and \$36m in a full year.

In total, these increases in duty, which all take

effect from tomorrow, are estimated to yield \$223m in 1973-74 and \$268m in a full year.

The Minister representing the Minister for Customs and Excise will be introducing amending legislation on these matters later this evening.

The question of whether these increases in excise duties I have announced can be added to prices of goods cleared after today, including in the case of potable spirits the consequential increase in sales tax payable, is of course a matter for the Prices Justification Tribunal in relation to those companies subject to the Prices Justification Act. It would be a matter of concern, however, if there were attempts to profit from the increases by adding mark-ups or making other arrangements to profit from the excise increase by those outside the ambit of the Prices Justification Tribunal who are involved in the manufacture, distribution and sale of the items in question.

After allowance for the decisions we have taken it is estimated that receipts will be \$11,481m in 1973-74. This is an increase of \$1,960m, or 20.6 per cent, over the 1972-73 level.

BUDGET OUTCOME

The summarise: Budget outlays are estimated to increase by \$1,938m, or 18.9 per cent, to \$12,168m in 1973-74. Budget receipts are estimated to rise by \$1,960m, or 20.6 per cent, to \$11,481m.

The estimated deficit is thus \$687m and the estimated domestic deficit \$162m. In 1972-73 the deficit, on the same basis, was \$709m and the domestic deficit \$215m.

By ensuring that receipts will increase faster than outlays the Government has reduced the prospective domestic deficit from that of 1972-73. We thus propose a marked reversal of the highly expansionary 1972-73 situation, when outlays ran ahead at twice the rate of increase in receipts and the domestic balance, by comparison with the previous year, deteriorated by \$620m.

This large turnabout in the Budget trend is, of course, not only appropriate but necessary in the buoyant economic circumstances which confront us in 1973-74.

CONCLUSION

The expenditure programs I have outlined tonight derive from our Election Policy Speech. They will be developed further in the years ahead and those election policy undertakings which we have not yet been able to embark on

will also be encompassed. As the Prime Minister has emphasised, we will do what we have said we will do. To raise taxes and remove concessions is not a course on which we eagerly embark; there can have been few Treasurers who have enjoyed that course, and I am not among them. What I do say is that this Budget combines some appreciable steps towards fulfilling our electoral undertakings, with major reforms both on the revenue and the outlays side and, above all, a fiscally responsible outcome.

On that note, I commend the Budget to honourable members.

Mr SNEDDEN (Bruce—Leader of the Opposition) (9.39)—To bring this to a merciful end, I move:

That the debate be now adjourned.

Question resolved in the affirmative.

STATEMENTS ATTACHED TO THE BUDGET SPEECH

STATEMENT	TITLE	PAGE
1 ..	Summary of the 1973-74 Budget	49
2 ..	The Budget and the Economy	52
3 ..	The Budget and Monetary Conditions	59
4 ..	Estimates of Outlays, 1973-74	63
5 ..	Estimates of Receipts, 1973-74	131
6 ..	Budget Result, 1972-73	139
7 ..	Budget Transactions Since 1963-64	147
8 ..	Changes in Budget Format and Presentation	159

Notes:

(a) Any discrepancies in tables between totals and sums of components are due to rounding.

(b) The following notations are used:

NEC/nec	not elsewhere classified
..	amounts of less than \$50,000
—	nil

STATEMENT No. 1—SUMMARY OF THE 1973-74 BUDGET

Budgets are instruments not only of short-term economic management but also of longer-term social and economic programs. The 1973-74 Budget is designed to assist in maintaining strong growth in output and employment and, at the same time, to launch and establish many of the wide-ranging programs of action to which the Australian Government is committed.

The economic context of the budget is described in detail in Statement No. 2. Very briefly, the budget has been framed against the background of an economy operating close to full capacity and set to maintain strong, widespread growth through 1973-74. *Gross domestic product* at constant prices seems likely, major unforeseen disturbances apart, to increase by about 7 per cent over the year as a whole, with strong growth in both the farm and non-farm sectors. Somewhat faster growth is forecast in *gross national expenditure* at constant prices, reflecting the expectation that, at constant prices, imports will grow more strongly than exports.

Against this background the budget has been formulated to ensure that the necessary diversion of resources to the public sector which will be required for the implementation of the Government's policies can be achieved without adding to total demand pressures. Complementary action has been taken on the supply side, notably through the 25 per cent reduction in all non-revenue rates of customs tariff. Overall, the 1973-74 Budget is likely to keep the economy growing strongly. But the economic prospect this year is very different from that prevailing when the 1972-73 Budget was being framed and, accordingly, the 1973-74 Budget is designed to be much less stimulatory than its predecessor.

Budget Aggregates

The broad aggregates of the 1973-74 Budget, together with comparable data for 1972-73, are shown in national accounts form in the following table:

	1972-73			1973-74		
	Actual		Change on 1971-72(a)	Estimate		Change on 1972-73
	\$ million	\$ million		\$ million	\$ million	Per cent
Outlays	10,230	1,149	12.7	12,168	1,938	18.9
Receipts	9,521	573	6.4	11,481	1,960	20.6
Deficit(—)	—709	+576		—687	—22	
Overseas Deficit(—) ..	—494	—45		—525	+31	
Domestic Deficit(—) ..	—215	+620		—162	—53	

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

It is notable that:

- while *budget outlays* are estimated to increase by 18.9 per cent in 1973-74, *budget receipts* are estimated to increase even more strongly, by 20.6 per cent;
- an overall budget deficit of \$687 million is estimated in 1973-74, compared with \$709 million in 1972-73;
- this estimated overall deficit in 1973-74 represents a small *decrease* of \$22 million compared with the previous year, whereas the deficit in 1972-73 represented an *increase* of \$576 million compared with the previous year;
- the domestic deficit in 1973-74 is estimated at around \$162 million, a decrease of \$53 million compared with 1972-73; the domestic deficit in that year, however, represented a *turnaround* (i.e. a swing from surplus to deficit) of \$620 million compared with 1971-72.

The budget also affects monetary conditions. Both the net outcome of the budget and the nature of the transactions employed to finance that outcome will influence private sector liquidity. These monetary implications of the budget are outlined in Statement No. 3, which also reviews recent developments in monetary conditions in Australia. For the year as a whole the net impact of the 1973-74 Budget on liquidity may be expected to be only marginally different from that of the 1972-73 Budget. However, it will have a smaller seasonal effect on liquidity as a result of the decision, announced in the Budget Speech, to begin phasing in quarterly payments of company income tax this year.

Functional Classification of Budget Outlays

A detailed account of estimated budget outlays in 1973-74, classified by function, together with comparable figures for each of the past three years, is presented in Statement No. 4. The functional classification adopted in that Statement is described in Statement No. 8. This classification, in brief, groups outlays according to their primary objectives or purposes. The functional classification of budget outlays, unlike the 'conventional' classification it replaces, thus assists in revealing the broad purposes for which the outlays are made.

The summary table below shows budget outlays in 1972-73 and estimated outlays in 1973-74 classified by broad functional groups.

	1972-73			1973-74		
	Actual		Change on 1971-72	Estimate		Change on 1972-73
	\$ million	\$ million		\$ million	\$ million	Per cent
Defence	1,234	69	5.9	1,266	32	2.6
Education	439	93	26.9	843	404	92.0
Health	783	96	13.9	979	196	25.0
Social Security and Welfare	2,100	504	31.5	2,439	340	16.2
Housing and Community Amenities nec	127	23	22.8	(a) 538	411	324.3
Culture and Recreation	117	13	12.2	163	46	39.8
Immigration	48	-12	-20.5	52	4	8.4
Economic Services	1,325	-32	-2.4	1,568	242	18.3
General Public Services	761	87	12.9	928	167	22.0
Not Allocated to Function	3,297	309	10.3	3,393	96	2.9
Total Outlays	10,230	1,149	12.7	12,168	1,938	18.9

(a) Includes advances to the States for Housing under the 1973 Housing Agreement.

Notable aspects are:

- the very large increase in outlays occurring in the function 'Housing and Community Amenities', which reflects major new programs for urban and regional development including Albury/Wodonga and other growth centres, metropolitan area improvement programs and land acquisition. Because of the re-introduction in 1973-74 of advances to the States specifically for housing, however, year-on-year comparisons of total outlays under this heading cannot readily be made;
- the very large increase—\$404 million or 92 per cent—in outlays on 'Education' reflecting, among other things, the Australian Government's assumption of full financial responsibility for tertiary education from 1 January 1974. There are also very large increases in funds for schools and pre-schools, flowing in large part from the recommendations of the Interim Committee for the Australian Schools Commission;
- the increase of \$340 million, or 16 per cent, in outlays on 'Social Security and Welfare', following the very large increase in 1972-73;

- the increase in estimated outlays of \$196 million or 25 per cent on 'Health'. This reflects major reforms in the provision and financing of health care in Australia, including a new health insurance program, community-based health services and increased expenditure to improve the health of Aborigines;
- the estimated increase of \$242 million or 18 per cent on the broad 'Economic Services' function, which encompasses a wide range of programs including the advance to the Post Office—up \$32 million to \$320 million—and the provision of \$32 million for urban transport initiatives. There is also a net provision of \$97 million for expenditure on pipe and equipment for the Gidgealpa pipeline, as well as for construction and administrative costs. Total direct assistance for industries from the budget is estimated to increase by \$72 million to \$515 million;
- the increase of \$167 million, or 22 per cent, to \$928 million in outlays under the function 'General Public Services'. The largest part—a net \$85 million—of this is for outlays on foreign affairs and external territories, including external economic aid.

A table showing a cross-classification of estimated budget outlays in 1973–74 by function and economic type follows:

1973–74 BUDGET OUTLAYS, BY FUNCTION AND ECONOMIC TYPE
(\$ million)

Function	Economic Type						
	Expenditure on goods and services		Cash Benefits to Persons	Other Transfer Payments (a)	Grants and Net Advances to the States	Net Advances to Other Sectors	Total Outlays
	Current	Capital					
Defence	1,183	—	—	68	15	—	1,266
Education	105	30	90	2	617	—	843
Health	203	34	684	1	54	2	979
Social Security and Welfare ..	93	9	2,267	39	31	—	2,439
Housing and Community Amenities nec	23	54	—	64	324	73	538
Culture and Recreation	130	25	—	1	6	—	163
Immigration	46	1	4	—	—	—	52
Economic Services	285	88	4	289	467	434	1,568
General Public Services	544	70	—	294	6	13	928
Outlays not allocated to function	33	—	—	704	2,656	—	3,393
Total Outlays	2,645	311	3,049	1,462	4,178	522	12,168

(a) Includes purchases of existing assets.

Budget Receipts

On the basis of existing legislation, and in the absence of any changes in rates of taxes and other charges, it is estimated that total receipts in 1973–74 would amount to \$11,142 million—an increase of 17 per cent on actual receipts in 1972–73. Adding to this 'automatic' growth the yield from the new measures announced in the Budget Speech, total receipts are estimated to amount to \$11,481 million in 1973–74, an increase of 21 per cent compared with 1972–73.

Details of the receipts estimates for 1973–74, including the revenue measures announced in the Budget Speech (some of which will not have their full impact until 1974–75), are presented in Statement No. 5.

Historical Data

Two Statements attached to the Budget Speech provide historical data on budget transactions. Statement No. 6 contains a detailed account of the budget result in 1972–73, while Statement No. 7 provides an historical coverage of budget data in national accounts form for the decade to 1973–74, and incorporates some discussion on the budget's role in total public sector activity.

STATEMENT No. 2—THE BUDGET AND THE ECONOMY

The influence of the budget upon the economy, and the appropriateness of that influence, should only be evaluated by close reference to the economic context in which it is framed.

The budget is not, however, solely an instrument of short-term demand management; it is also a major vehicle for the implementation of longer-term social and economic programs. An assessment of the 1973–74 Budget should, therefore, be gauged by reference to its overall objectives of accommodating the Government's social and economic policies and of not adding, in terms of its impact on the demand for available resources, to inflationary pressures.

1972–73 in Retrospect

The economy recovered strongly through 1972–73 from the 1971–72 slowdown. The 1972–73 Budget was framed in the early stages of that recovery and imparted a strong stimulus to it, particularly after the personal income taxation reductions and increased social welfare and repatriation benefits became effective.

The stimulus given to personal consumption expenditure by the Budget was reinforced by the programs initiated by the new Government after its election. These were concentrated in the area of social service benefits and pensions, where the main economic impact is on consumption expenditure. These post-budget measures were, of course, largely responsible for lifting the 1972–73 budget deficit, on the 'conventional' basis, from the budget estimate of \$630 million to an actual \$774 million. Details of the 1972–73 Budget results are provided in Statement No. 6.

The upturn in economic activity in 1972–73 is reflected in the acceleration in key economic indicators during the year. Gross domestic product at constant prices increased by 3.8 per cent in 1972–73, compared with 3.2 per cent in 1971–72. Drought conditions caused a sizeable fall in farm output but gross non-farm product at constant prices rose by 5.2 per cent—nearly twice as rapidly as in 1971–72. The rate of growth of gross non-farm product at constant prices *within* the year was considerably higher—in the first half of 1972–73 the seasonally-adjusted annual rate of growth was 6½ per cent and there was an acceleration on this in the second half.

Estimates of the components of gross domestic product and expenditure in 1972–73 are given in the document *National Income and Expenditure, 1972–73*. In terms of constant prices, the key changes shown by the estimates are:

- a rise of 3.8 per cent in gross domestic product, made up of a rise of 5.2 per cent in gross non-farm product and a fall of 10.1 per cent in gross farm product;
- an increase of 3.6 per cent in gross national expenditure for the year as a whole (compared with a 1.3 per cent increase in 1971–72), including increases of 5.5 per cent in private final consumption expenditure, 9.5 per cent in gross private fixed investment in housing, and 2.0 per cent in public authority final expenditure on goods and services;
- a decline, partially offsetting these increases, of 9.9 per cent in private gross fixed investment other than in housing;
- growth of 5.5 per cent in exports of goods and services, and a smaller increase of 4.9 per cent in imports of goods and services, giving rise to a further substantial excess of exports of goods and services at constant prices of \$840 million in 1972–73, following an excess of \$771 million in 1971–72.

Also in 1972–73:

- there were continued high rates of increase in money wages and prices, particularly in the second half of the year;
- there was a transformation in the labour market situation, with registered unemployed falling from a seasonally-adjusted peak of 2.10 per cent of the labour force in August 1972 to 1.55 per cent at the end of June 1973, and registered job vacancies rising sharply in the closing months of the year to their highest seasonally-adjusted level in almost 20 years;

- there was a rapid growth in the volume of money which expanded by 26 per cent in the twelve months to June 1973, although there was a marked slowing in that growth in the second half of the year when tighter restrictions on capital inflow were brought into operation and the Reserve Bank raised the Statutory Reserve Deposit ratio of the major trading banks.

Prospects in 1973-74

The 1973-74 Budget has been framed in the context of an economy operating at almost full capacity and with widespread growth in demand seemingly set to continue strongly in the year ahead. Although economic activity seems certain to remain buoyant, it would be unrealistic to expect a continuation of expansion at the rate achieved *during* 1972-73, which had in it a substantial recovery element. As the margin of unused capacity dwindles, the scope for rapid increases in economic growth must likewise lessen.

Gross domestic product at constant prices seems set to rise by about 7 per cent this financial year. This prediction of considerably faster growth in gross domestic product than in 1972-73 reflects very largely the expected improvement in the rural sector. The outcome in the rural sector is, of course, dependent upon seasonal conditions, and while these have been generally favourable to date the final outcome will remain very tentative until well into the year. The growth in gross non-farm product at constant prices of about 6½ per cent, seen as attainable in 1973-74, is based on the expectation that employment will grow by 3½-4 per cent and productivity by 2½-3 per cent. The high employment growth implies a marked increase in labour force participation rates and this will be achieved only by greater female participation. The expected increase in productivity is less than that achieved in the recovery upsurge during 1972-73 but is about equivalent to the longer-term average rate of productivity growth. The forecast increase in gross non-farm product at constant prices is thus only moderately greater than that achieved in 1972-73. There are, however, two important differences underlying this comparison.

The first of these has already been touched on—the movement *within* the two years. In 1972-73 gross non-farm product at constant prices grew considerably faster within the year than for the year as a whole, reflecting the recovery from the subdued activity levels of 1971-72. The estimated rates of increase of gross non-farm product at constant prices, in seasonally-adjusted annual rates, were 6½ per cent for the first half of 1972-73 and about 8 per cent in the second half. With the economy now operating close to full capacity, a continuation of growth at the latter rate in 1973-74 is not feasible.

Secondly, the relative movements of gross domestic product and gross national expenditure seem likely to be reversed in 1973-74. In constant price terms, exports increased faster than imports in 1972-73 so that gross domestic product grew faster than gross national expenditure. In 1973-74, however, exports are forecast to grow somewhat more slowly as buoyant domestic conditions impose restrictions on export capabilities. More importantly, it has been evident for some time that very strong growth in imports could be expected in 1973-74, in response to domestic pressures and relative price movements. The uniform reduction in tariffs by 25 per cent, announced on 18 July, should add further to this import response.

Of the major expenditure components, private final consumption expenditure is the dominating influence. The expected rapid increase in average weekly earnings—reflecting both the timing and size of the 1973 National Wage Decision and the increasingly strong pressures in the labour market—coupled with strong employment growth, will ensure a high rate of increase in wage and salary incomes in 1973-74. Increases in social security benefits will sustain a considerable increase in total spending by recipients. Farm incomes are expected to remain high. Offsetting these income movements will be the fact that, in contrast to 1972-73, personal income tax liabilities will rise considerably faster than incomes. In all, non-farm disposable incomes are expected to grow a little more quickly in 1973-74 than in the previous year. The expected increase in consumption expenditure, strong though it is, still implies an increase in the savings ratio.

After a lengthy period of decline, private fixed investment at constant prices is expected to increase during 1973-74. Dwelling investment is forecast to grow more slowly as constraints on the capacity of the dwelling construction industry intensify. Non-dwelling investment, which typically lags in the recovery cycle, should respond to demand conditions during the year. Inventory accumulation is also expected to make a moderate contribution to product growth in 1973-74.

Stronger growth in public authority expenditure at constant prices, most markedly in gross fixed capital investment, is expected, reflecting chiefly an acceleration in Australian Government spending programs. In 1972-73, direct expenditure by the Australian Government's authorities is estimated to have declined in constant price terms while expenditure by State and local government authorities increased moderately. All levels of government are expected to increase their call upon resources during 1973-74.

It should be said that this outlook for the coming year is subject to substantial margins of error. Neither good data nor good econometric techniques nor even good judgment, can ensure that forecasts will, in the event, prove to have been correct, especially in detail. There are too many unknowns involved and it would be pretentious to suggest otherwise. This discussion of the 1973-74 outlook is presented, therefore, solely to indicate what seems, at present, to be at the centre of the range of possibilities. It should not be taken as indicating more than that.

The Economic Context and the 1973-74 Budget

So far as the economic context is concerned, the overriding consideration in framing the Budget was that the economy at the outset of 1973-74 was already under stress, with inflation the dominant worry. The major problem, therefore, was one of ensuring that the diversion of resources to the public sector needed to get major programs under way did not add to total demand pressures. This need reinforced the arguments, strong in their own right, favouring an immediate full-scale review of existing budget expenditures inherited from the previous Government.

These were the factors underlying the setting up of the Task Force under Dr Coombs. The Government, using the Coombs Report as a working document, has decided to prune continuing expenditures, including disguised expenditures through the tax system, significantly. In framing new budget spending policies, the decisions taken reflect the Government's own priorities.

In addition to the expenditure review, specific measures have been deemed desirable on the revenue side to accommodate budget outlays. As outlined in the Budget Speech, increased revenues of \$223 million are being sought in 1973-74 from increased rates of customs and excise duties.

The Economic Impact of the Budget

In general terms, the influence of the budget upon trends in the economy operates through the effects of changes in particular types of budget outlays and receipts on incomes and expenditures, and through the effects of the budget and its financing upon liquidity. Moreover, and often importantly, 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 within a framework of a national accounting presentation of receipts and outlays. Statement No. 3 examines the implications of domestic budget transactions for monetary conditions.

Budget Outlays

The economic effects of particular classes of outlays and receipts differ significantly one from another. On the outlay side, it is particularly important to distinguish between outlays within Australia and overseas. This distinction is necessary because the immediate effects of overseas outlays are on the balance of payments. They do not add *directly* to domestic

incomes and the demand for locally-produced goods and services.⁽¹⁾ There may be indirect repercussions if, for example, the purchase overseas of defence equipment requires complementary expenditures within the domestic economy to service and operate the equipment. By way of contrast, domestic outlays exert a direct impact on the level of domestic economic activity.

In 1972-73 overseas outlays actually fell by 5.3 per cent while domestic outlays (on an 'adjusted' basis—see table below) rose by 16.0 per cent. By contrast, as the table shows, overseas outlays are expected to rise by 6.0 per cent in 1973-74. None the less, it is the estimated 20.0 per cent increase in domestic outlays (on the same 'adjusted' basis) which chiefly accounts for the accelerated growth in total budget outlays expected in 1973-74.

	1972-73			1973-74		
	Adjusted Actual(a)	Change on 1971-72		Adjusted Estimate(a)	Change on 1972-73	
	\$ million	\$ million	Per cent	\$ million	\$ million	Per cent
Domestic outlay ..	9,682	1,335	16.0	11,616	1,934	20.0
Overseas outlay ..	521	-29	-5.3	552	31	6.0

(a) The figures shown in this table are not directly comparable with those shown elsewhere in the budget documents, since they incorporate adjustments made for a number of factors which affect year-to-year comparisons. The major factor necessitating these adjustments is the varying incidence of pay-days. Comparisons between 1972-73 and 1973-74 are only slightly affected by these factors, since pay-day incidence differs between the two years only in respect of an extra 12 weekly child endowment pay-day in 1972-73. Comparisons between 1971-72 and 1972-73, however, are more substantially affected since both years contained additional pay-days. The figures for 1971-72 have been adjusted for an additional public service pay-day and an extra pension payment, which occurred in that year. Furthermore, comparisons between 1971-72 and 1972-73—but not for subsequent years—are affected by the transfer of pay-roll tax to the States as from 1 September 1971; appropriate adjustment has therefore been made to the figures for transfers and advances to the States in 1971-72 to place them on a comparable basis with figures for 1972-73 and subsequent years. It should also be noted that these special adjustments relate almost entirely to budget domestic outlays. In the absence of these adjustments for special factors, budget domestic outlays in 1972-73 and 1973-74 amount to \$9,709 million and \$11,616 million, respectively, implying annual increases of 13.8 per cent and 19.6 per cent. Further details on the composition of budget domestic outlays, on an adjusted basis, are shown in the next table in this Statement.

Within the area of domestic outlays there is however a further important distinction to be made, namely that between expenditures on goods and services, on the one hand, and transfers and advances from the budget, on the other. Whereas an increase in government direct expenditure on goods and services is reflected in full in the level of aggregate demand, the initial impact of transfers and advances on economic activity depends upon the spending propensities of the income recipients.⁽²⁾ This distinction is particularly important in assessing the primary impact of different expenditures on the level of effective demand.

The following table highlights the major compositional aspects of domestic outlays for 1973-74, compared with the previous year, by separating net expenditures on goods and services from transfer payments and net advances. A striking feature of this table is the very

⁽¹⁾ Payments within Australia may alternatively add to overseas rather than Australian incomes if, for example, orders met by local suppliers include an import content. Although it is not possible to make reliable estimates of the import content of budget 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 from the budget may fluctuate widely between one year and another.

The main overseas components are shown separately in Table 2 of the Supplement to the Treasury Information Bulletin, *National Accounting Estimates of Public Authority Receipts and Expenditure*, published concurrently with the Budget.

⁽²⁾ It is 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.

high proportion of budget outlays which takes the form of transfer payments and net advances. The spending behaviour of the recipients determines the net call on domestic resources ultimately arising from these outlays.

BUDGET DOMESTIC OUTLAY

	1972-73 Adjusted Actual(a)		1973-74 Adjusted Estimate(a)	
	\$ million	Percentage Increase	\$ million	Percentage Increase
Domestic Outlay—				
Net expenditure on goods and services—				
Defence	1,045	6.2	1,072	2.6
Other current expenditure	1,112	18.7	1,356	21.9
Capital expenditure	217	1.4	305	40.6
Total	2,374	11.2	2,732	15.1
Transfer payments and net advances—				
To States	3,427	19.2	4,178	21.9
Cash benefits to persons	2,512	25.7	3,046	21.3
Interest paid	598	13.3	622	4.0
Transfers overseas	97	31.1	101	4.1
Net advances (other than to States)	280	-0.7	469	67.5
Other(b)	395	-13.0	469	18.7
Total	7,308	17.6	8,884	21.6
Total Domestic Outlay	9,682	16.0	11,616	20.0

(a) As noted earlier the figures appearing in this table have been adjusted for factors affecting year-to-year comparisons. See footnote to the preceding table for further details.

(b) Consisting of subsidies, grants for private capital purposes, purchases of existing assets and unfunded employee retirement benefits.

Both net expenditure on goods and services and transfer payments and net advances are estimated to increase faster in 1973-74 than in 1972-73. Features of the table include:

- the very small increase in domestic outlays on defence;
- the rapid acceleration in capital expenditures on goods and services, which are estimated to rise by over two-fifths in 1973-74 compared with little change in 1972-73;
- the rapid acceleration in net advances (other than to the States), which are of a capital nature, and which are estimated to rise in 1973-74 by more than two-thirds compared with little change in 1972-73;
- the very rapid increases in payments to the States, which are particularly noteworthy because of the absolute magnitudes involved; and
- the very large absolute and percentage increases in cash benefits to persons notwithstanding a somewhat slower rate of increase than in 1972-73.

The identification of budget outlays as either direct expenditures or transfer payments is, however, only the first step in disaggregating budget data. Account needs to be taken of the permanency of the initial outlays since this affects both the continuing stimulus to economic activity and the type of economic response from producers and consumers. Account also needs to be taken of subsequent adjustments in the economy, leading to further rounds of *induced* spending. These induced responses inevitably take some time to develop, because of the lags with which production and hence incomes respond to an initial increase in demand. Accordingly, some assessment of the timing of budget transactions and the time lags associated with the economic responses they induce must also be made.

The full economic impact of budgetary measures clearly extends beyond any given budget year. Current economic experience fully testifies to this fact. The stimulatory effects of last year's budget, for example, will continue to bear on economic performance in 1973-74. Similarly, measures taken in this year's budget will have effects in 1974-75 and beyond. Indeed, some measures taken now, including some of the revenue measures announced in the Budget Speech, will have no direct *financial* effects until 1974-75.

Budget Receipts

As with outlays, differences exist between various taxes and charges in terms of their economic impact. Likewise, these differences pertain both to the magnitude of their effects upon real expenditures and prices, and to the time lags between implementation and effect. Tax measures may also have important psychological effects, in some cases transcending their direct or 'mechanical' effects on spending and activity.

Ideally, when assessing the economic impact of a given budget, it would be desirable to extract the 'automatic' growth in budget receipts and outlays from the total, thus exposing the 'discretionary' or newly adopted policy changes. In reality, it may often be exceedingly difficult to draw a clear line between what is new policy and what is inbuilt. This is particularly so on the outlay side.

On the receipts side these identification problems are less difficult. The relevant distinction is that between revenues which would have been collected with unchanged tax rates and charges, and the estimated collections due to specific rate changes announced in the budget. Changes in estimated revenues in the former class result from changes expected to occur in the economy, which affect the bases on which taxes are levied.⁽³⁾ Such revenue changes, in turn, exert an influence on economic activity. However, only changes in revenue arising from *changes* in rates and charges can be considered as capable of varying or offsetting economic trends which, prior to the budget, are foreseen. 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—the effect of the existing tax structure is already 'built-in', as it were, to those foreseen trends.

Even this distinction is somewhat blurred, however, by 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 incomes rise 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 those taxes. By convention, however, changes of this sort are classified as arising from economic trends rather than from policy measures.⁽⁴⁾ By implication, only changes in revenue of the 'discretionary' rate change type are considered as part of the explicit impact of the budget.

New revenue measures are estimated to yield \$339 million of revenue in 1973-74 and \$648 million in a full year. This revenue yield is additional to the 'automatic' increase of \$1,621 million estimated to result from applying current schedules of tax rates and other charges on the basis of assumed economic conditions in the year ahead.

⁽³⁾ For the most part, movements which would be expected in gross collections of PAYE 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 changes in the economy are also involved.

⁽⁴⁾ It might be noted that particular revenue estimates may 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 taxation measures proposed by the Government in the 1973-74 Budget have been formulated, for the most part, to steady the pace of growth of private sector activity, and thereby modify the pressure of total demands on available economic resources. Such a check now, designed to counter over-rapid expansion in a period of widespread economic recovery, would be generally seen as preferable to deferring action to a time when much stronger corrective measures would be required.

Review

The budget is but one of many influences upon economic developments, particularly in a relatively open economy such as Australia. Any assessment of economic prospects in 1973-74 must therefore be subject to a degree of uncertainty and, for this reason, policies must be readily adaptable to changing economic circumstances. In early 1973-74, however, the prospects are for rapid growth in all major areas of demand.

To contain the growth of demand pressures, the Government has therefore acted to steady the growth of total expenditures and to encourage increased supplies. With respect to public sector growth, this has involved an overall review of past expenditure programs and a considered ordering of priorities in implementing new expenditure initiatives. The additional revenue measures announced in the Budget Speech will affect private sector expenditure.

Overall, the budget is likely to keep the economy growing strongly. Whereas in the very different economic circumstances of 1972-73 outlays increased at about twice the rate of increase in receipts (due to substantial reductions in taxation), in 1973-74 the Government has seen as appropriate a budget in which increased receipts more than cover increased outlays. In short, in the context of the very different circumstances that now prevail compared with those of a year ago, the 1973-74 Budget is designed to be much less stimulatory than its predecessor.

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

The economic impact of the budget is not restricted to the direct influence on expenditures and incomes discussed in Statement No. 2. The budget can also have significant effects on economic activity through its influence on monetary conditions.⁽¹⁾

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 is also influenced by the way in which the surplus or deficit is financed. If, for example, a deficit in budgetary transactions is financed by a run-down of Government cash balances with the Reserve Bank, or by the issue of Treasury Bills to the Reserve Bank, the net increase in funds put out to the private sector as a result of the domestic deficit will for the most part end up in the banking system, so that there is an increase in the volume of money (as conventionally defined) and an increase in the liquidity of the trading or savings banks. If, however, the deficit were financed by sales of government securities to the non-bank private sector (whether by the Government direct or through Reserve Bank open-market operations), the initial increase in the volume of money would be offset by the payments to the Government or to the Reserve Bank for the securities purchased.

The financing transactions associated with the budget thus 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. Analysis of the monetary effects of financing transactions must take into account not only the movements in total holdings of government 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 government securities by the latter group operates, as implied in the previous paragraph, to reduce the volume of money, while a reduction in these holdings has the opposite effect. An increase in the holdings of government securities by 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 LGS 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 holdings may be affected by the open market operations in government securities of the Reserve Bank and their bearing on relative interest rates. They may be affected also by other factors affecting monetary and liquidity conditions generally, including international trading and borrowing transactions, other Reserve Bank transactions with the private sector and, not least, demand for money as against less liquid financial assets such as government securities.

The stance of monetary policy is, of course, a very important influence on monetary conditions in the economy. Open market operations by the Reserve Bank, as noted above, and policy in regard to official interest rates and controls on the banking system may have important effects on the holdings of government securities by various groups and on the general cost and availability of funds in the economy through direct and indirect effects on interest rates and the value of financial assets. The effects of budgetary receipts, outlays and financing transactions on monetary conditions cannot, therefore, be considered in isolation. Clearly, monetary factors not only affect the level and pattern of economic activity but are also affected by general economic conditions.

⁽¹⁾ 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 1972-73

The following table shows selected financial series for recent years and for each half of 1972-73. A tabulation of budget financing transactions in 1972-73 is included in Statement No. 6.

SELECTED FINANCIAL SERIES
(\$ million)

	1970-71	1971-72	1972-73		
			First half	Second half (Preliminary)	Year (Preliminary)
INDICATORS OF FORMATION OF PRIVATE SECTOR LIQUIDITY					
Balance of payments current account surplus(a)	-853	-416	275	433	709
Net apparent private capital inflow(b)	1,514	1,918	952	-613	339
Budget domestic surplus (-) deficit (+)(c)	-496	-405	+1,351	-1,137	+215
Movement in Reserve Bank Rural Credits Advances(d)	-39	-44	-66	13	-53
SRD Accounts of all trading banks(d)	-(-59)	-(-62)	-(+42)	-(+185)	-(+227)
Increase in private sector primary liquidity(e)	644	1,456	2,391	-689	1,702
Note—					
Increase in all trading bank LGS assets(d)	125	377	1,225	-656	567
Increase in savings bank LGS assets(f)	95	241	604	351	955
NON BANK PRIVATE SECTOR					
<i>Movements in selected assets</i>					
Volume of money(d)	1,014	1,657	2,917	1,576	4,493
of which—					
Notes and coin	150	131	199	37	235
All trading bank current deposits	179	352	905	381	1,286
All trading bank fixed deposits	246	397	626	222	848
All trading bank certificates of deposit	-89	57	257	77	334
Savings bank deposits	528	721	932	858	1,790
Australian Government securities(f)	275	704	369	-422	-53
Loans to Short-Term Money Market(f)	23	148	176	-244	-67
Funds with permanent building societies(f)(g)	357	582	567	235	801
<i>Movements in selected liabilities</i>					
All trading bank advances(d)	415	558	513	1,466	1,981
Savings bank advances(f)	263	287	212	264	477
Permanent building society advances(f)	253	456	406	397	804

(a) Includes government current account items which do not influence private sector liquidity.

(b) Excludes government capital transactions and includes marketing authorities transactions, other private capital inflow and the balancing item. This last item includes net errors and omissions, and balances to a net monetary movements figure on an official parities basis rather than a market values basis.

(c) These estimates differ from those published previously because of some accounting changes, the most important of which is the treatment of the net advance to the Australian Wheat Board as an outlay item in the budget rather than as a financing transaction.

(d) Average of weekly figures basis. (Savings bank deposits are interpolated 'weekly average' figures based on end of month figures.)

(e) Defined as LGS assets of the private sector. LGS assets of the trading banks and notes and coin in the hands of the public are included on an average of weekly figures basis while other items are on a last day or approximately last day basis.

(f) Last day or approximately last day basis.

(g) Share capital and secured and unsecured borrowings of societies (other than borrowings from governments and banks).

The domestic deficit directly added about \$215 million to private sector primary liquidity and the volume of money over the 1972-73 financial year. This was larger than estimated at the time of the budget and was the first domestic deficit for some years. The size of the actual deficit compared with the budget estimate is discussed in Statement No. 6.

Other factors also contributed to the rise in liquidity in 1972-73. Taking the year as a whole there was a very much reduced net inflow of private capital from abroad but a large balance of payments current account surplus. While, in the face of the build-up in liquidity, there was a large take-up of government securities by the private sector as a whole during 1972-73, the non-bank private sector ran down its holdings slightly over the year. Bank lending responded to the relaxation of monetary policy which had occurred and to the easier liquidity situation and bank advances outstanding rose very strongly during the year. These factors contributed to a very large rise in the volume of money during 1972-73.

Percentage Increases in the Volume of Money

					Per cent
1968-69	..	..	..	..	9.1
1969-70	..	..	..	..	6.2
1970-71	..	..	..	..	6.8
1971-72	..	..	..	..	10.5
1972-73	..	..	..	..	25.7

Figures for the year as a whole, however, mask some significant changes *within* the year. The seasonality of budgetary transactions, of course, imparts a significant seasonality to movements in monetary aggregates. Additionally, however, during the course of 1972-73 policy decisions and other developments had a marked impact on monetary movements.

During the first half of 1972-73 Australian Government budgetary transactions resulted in a domestic deficit of \$1,351 million—roughly \$120 million greater than in the corresponding period of 1971-72—and added substantially to private sector liquidity. At the same time private capital inflow into Australia continued at a very high level and its expansionary effects on domestic liquidity were reinforced by a growing surplus on the balance of payments current account. During this period then, the liquidity of the private sector built up strongly from the already relatively easy liquidity situation at the beginning of the financial year and, as noted above, bank lending expanded strongly in response to the easing of monetary policy which had occurred during 1971-72.

Despite the strong build-up in liquidity during the first half of 1972-73, demand for government securities by the non-bank private sector was only moderate so that the rise in liquidity was reflected in strong growth in the volume of money. The volume of money increased by 16.7 per cent in the six months to December 1972 compared with an increase of 7.7 per cent in the corresponding period of 1971-72. Growth in both fixed and current deposits with the trading banks was particularly strong.

During the second half of the financial year, budgetary transactions, although producing a seasonal surplus, had a considerably less restrictive impact on liquidity conditions than in corresponding periods of recent years. The domestic surplus during the six months to June 1973 was \$1,137 million, considerably less than the figure of about \$1,640 million during the corresponding period of 1972. The surplus on balance of payments current account transactions continued to rise, although there was a marked turnaround in private capital flows in this half-year and this acted to offset to a considerable extent the other expansionary influences on domestic liquidity. Bank lending expanded very strongly from February onwards. With the economy advancing firmly, however, it was considered prudent to modify the easy stance of monetary policy which had prevailed since December 1971 and on 9 April it was announced that the Statutory Reserve Deposit ratio of the major trading banks would be increased from 6.6 per cent to 7.6 per cent.

Demand for funds by the private sector meanwhile was being stimulated by the rising level of activity in the economy and private sector interest rates began to rise in the Autumn. With the Reserve Bank a reluctant buyer in the market for government securities in order to avoid adding to the liquidity of the private sector, market yields on government securities

also rose significantly. These higher market yields were reflected in the terms offered in the Government's May loan, with the long-term security carrying a yield of 6.5 per cent or 0.5 per cent above the rate offered on the corresponding security in the February loan.

In brief, during the second half of 1972-73 the strong upward trend in liquidity in the economy was interrupted and the easy stance of monetary policy was modified. None the less, due to the high degree of liquidity at the start of the period, financial conditions remained relatively easy. During the six months to June 1973 the volume of money increased by 7.7 per cent compared with an increase of 2.6 per cent in the corresponding period of 1972.

Shortly after the beginning of the new financial year, on 6 July, the Governor of the Reserve Bank announced that monetary policy was being directed further towards restraint and that the Statutory Reserve Deposit ratio of the major trading banks would be increased by two per cent—one per cent on 2 August and one per cent on 28 August. At the same time the Governor announced a release of 0.6 per cent from Statutory Reserve Deposit Accounts for the replenishment of the Term and Farm Development Loan Funds of the major trading banks.

On the same day the Treasurer announced the terms for the Australian Government's July cash and conversion loan. The terms offered were in line with the higher yield pattern which had emerged in the market. Yields on short-term and long-term securities were respectively 0.6 percentage points and 0.5 percentage points higher than yields on comparable securities in the May loan.

PROSPECTS FOR 1973-74

As indicated above, one important aspect of the influence of budgetary transactions on monetary conditions is the seasonality which budgetary transactions impart to movements in monetary aggregates. This seasonality is mainly the result of the pattern of Australian Government receipts during the financial year and one important element of this has been the payment of income tax by companies towards the end of the financial year. The decision announced in the Budget Speech to move progressively over three years to a system of quarterly company tax payments will therefore have important implications for the pattern of monetary movements within future financial years.

An indication of the significance of the new arrangements for the payment of company income tax may be gained from the fact that in recent years the proportion of company income tax collected in the first half of the financial year has been less than 4 per cent of the total for the year as a whole. Assuming that recent historical patterns of payment of company income tax would otherwise have prevailed, the requirement that companies should now pay an instalment in the region of 25 per cent of the tax payable during 1973-74 by 1 January 1974 suggests that an additional amount of the order of \$330 million from this source will be collected in the first half of 1973-74. Correspondingly less will then be collected in the second half of the financial year. Even in this first year of the phasing-in arrangements there will, therefore, be a significant 'smoothing' of seasonal movements in liquidity in the economy.

There are, as usual, many uncertainties in the way of predicting the course of monetary conditions over the year ahead.

It is estimated that for 1973-74 as a whole the budget will produce a domestic deficit of the order of \$160 million. On this basis the budget would therefore contribute somewhat less to domestic liquidity than in 1972-73. As suggested above, however, the impact of the budget on monetary conditions should be viewed in the context of the totality of relevant factors. One such major factor is that the financial year began with liquidity relatively somewhat below its excessive level at the start of 1972-73.

Monetary conditions through 1973-74 will also, in part, depend on the outcome in respect of private sector international trading and financing. While considerable uncertainty attaches to such estimates, it appears that the contribution of external account transactions to domestic liquidity will be less in 1973-74 than in 1972-73.

Finally, monetary conditions during the period ahead will depend on the whole range of domestic factors bearing on the demand for and the supply of funds in the economy—factors which, in turn, will themselves be in part the product of monetary policy during the year.

STATEMENT No. 4—ESTIMATES OF OUTLAYS, 1973-74

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STATEMENT No. 4—ESTIMATES OF OUTLAYS, 1973-74

As mentioned in the Budget Speech, several important changes have been made in the presentation of the 1973-74 Budget Speech and the Statements attached to it compared with the practice followed in the Budget Speeches of recent years. These changes are discussed in detail in Statement No. 8. It might be noted here, however, that the principal change is the introduction of a *functional classification* of budget outlays and receipts, and its use as the main framework for the detailed discussion of budget policy proposals and objectives. This change in classification structure has, of course, major significance for Statement No. 4, the format of which is now quite different from that of the corresponding Statements of recent years.

Total budget outlays are estimated to increase by \$1,938 million or 18.9 per cent to \$12,168 million in 1973-74.

The budget estimates classified under functional headings are shown in the table below, together with figures for each of the past three years.

SUMMARY TABLE

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
1. Defence	1,097.8	1,164.4	1,233.6	1,266.0	+ 32.5
2. Education	296.0	346.3	439.3	843.4	+ 404.1
3. Health	559.6	687.4	783.2	978.9	+ 195.7
4. Social Security and Welfare ..	1,378.7	1,596.2	2,099.7	2,439.2	+ 339.5
5. Housing and Community Amenities nec	227.5	103.2	126.7	537.6	+ 410.9
6. Culture and Recreation	91.2	103.8	116.5	162.8	+ 46.4
7. Immigration	73.9	59.9	47.6	51.6	+ 4.0
8. Economic Services—					
A. Transport and Communication	646.3	733.8	750.7	879.5	+ 128.8
B. Water Supply and Electricity	43.8	30.9	37.2	55.8	+ 18.5
C. Industry Assistance	400.8	509.3	443.1	515.0	+ 71.9
D. Employment Conditions	37.0	45.4	53.9	71.5	+ 17.6
E. Other Economic Services	31.9	37.8	40.4	45.8	+ 5.4
Total Economic Services	1,159.7	1,357.2	1,325.3	1,567.6	+ 242.3
9. General Public Services—					
A. Legislative Services	18.3	19.3	24.6	28.7	+ 4.1
B. Law, Order and Public Safety	27.2	33.8	41.0	53.5	+ 12.5
C. Foreign Affairs and External Territories	207.3	239.9	276.9	361.6	+ 84.7
D. General and Scientific Research	76.3	80.9	89.6	107.9	+ 18.3
E. Administrative Services	234.6	300.2	328.8	376.4	+ 47.6
Total General Public Services	563.7	674.0	760.9	928.1	+ 167.1
10. Not Allocated to Function					
A. Payments to States nec and Natural Disaster Relief	2,113.0	2,372.8	2,623.1	2,656.5	+ 33.4
B. Public Debt Interest	576.4	615.7	674.0	703.9	+ 29.8
C. Provision for August 1973 Salary Increases	—	—	—	32.5	+ 32.5
TOTAL OUTLAYS	8,137.4	9,080.9	10,229.9	12,168.0	+ 1,938.1

The tables and notes which follow provide information on the composition and nature of the various outlays grouped under particular function and sub-function headings. Major variations in the estimates compared with actual outlays in 1972-73 are also commented upon.

1. DEFENCE

Outlays on defence in 1973-74 are estimated at \$1,266 million, an increase of 2.6 per cent on outlays in 1972-73. Estimated outlays on defence in 1973-74 represent 10.4 per cent of estimated total budget outlays; the corresponding figure in 1972-73 was 12.1 per cent.

The estimates of defence outlays presented in this Statement differ in some respects from estimates shown in budget Statements in previous years. With the introduction this year of the functional classification of budget transactions, some expenditures previously included in 'Defence' are now allocated to other functions; for example, interest payable on loans arranged in the United States to fund defence procurement is now allocated to 'Public Debt Interest'. Conversely, 'Defence' now includes certain expenditures not previously classified as defence outlays, including expenditure by the National Capital Development Commission on buildings for the defence group of departments in Canberra, and expenditure on war graves by the Department of the Special Minister of State. *Had the previous format been retained, the estimate for defence expenditure in 1973-74 would have been approximately \$1,345 million.*

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Manpower Costs—					
Civilian	123.1	149.0	162.8	172.4	+ 9.5
Forces—					
Naval	71.6	77.2	93.2	111.4	+ 18.2
Military	187.3	208.5	216.6	235.0	+ 18.4
Air	99.9	117.5	132.0	157.4	+ 25.4
Defence Forces Retirement and Death Benefits	16.9	20.8	22.6	32.5	+ 9.9
Total	498.8	573.0	627.2	708.7	+ 81.4
Defence Equipment and Stores—					
Naval Construction	10.4	14.2	14.5	15.9	+ 1.4
Arms, Armament and Equipment ..	42.7	51.6	31.0	28.7	— 2.3
Aircraft and Associated Initial Equip- ment	50.6	33.7	65.1	27.8	— 37.3
Other 'Capital' Equipment and Stores	30.3	29.7	27.7	29.0	+ 1.3
Supporting Equipment and Stores	139.4	141.0	125.9	118.5	— 7.4
Repairs and Maintenance	30.9	38.7	43.2	43.7	+ 0.5
Total	304.2	309.0	307.3	263.5	— 43.8
Defence Facilities—					
Advances to the States for Service Housing	9.2	7.0	6.2	15.7	+ 9.5
Other Buildings, Works, Furniture and Fittings	49.0	50.5	52.6	53.4	+ 0.9
Acquisition of Sites, Buildings and Works	2.1	2.4	2.3	2.8	+ 0.5
Repairs and Maintenance	25.5	27.6	31.8	34.6	+ 2.8
Total	85.8	87.5	92.8	106.5	+ 13.7
Industrial Capacity—					
Maintenance of Production Capacity	4.2	7.4	9.1	12.9	+ 3.8
Government Factory Operations ..	5.3	—2.8	—2.9	2.1	+ 5.1
Other	22.0	21.6	19.0	16.6	— 2.4
Total	31.5	26.2	25.2	31.6	+ 6.4

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Research and Development Establishments—Department of Supply ..	47.3	49.1	56.3	57.4	+ 1.1
Defence Aid and Co-operation—					
Malaysia	3.5	3.7	5.5	6.1	+ 0.6
South Vietnam	2.2	3.3	0.5	—	— 0.5
Singapore	1.5	0.5	0.9	1.2	+ 0.3
Indonesia	—	—	3.8	5.1	+ 1.3
Other	—	—	0.1	0.1	..
Total	7.2	7.5	10.8	12.5	+ 1.7
Storage and Transport	8.3	10.1	10.8	12.2	+ 1.4
General Administrative Expenditure	138.8	133.3	131.9	133.7	+ 1.8
Civil Defence and Other	7.3	1.8	2.8	2.5	— 0.3
Less Recoveries and Repayments	31.5	33.1	31.6	62.5	+ 30.9
TOTAL DEFENCE	1,097.8	1,164.4	1,233.6	1,266.0	+ 32.5

MANPOWER COSTS

Manpower costs are expected to increase by \$81.4 million in 1973-74. The main reasons for the increase are the full-year effects of the implementation of the Woodward Committee recommendations on service pay, the application of the Jess Committee recommendations to the Defence Forces Retirement and Death Benefits (DFRB) Scheme, and the costs of awards and determinations made in 1972-73. These increases will be offset in part by some reductions in strengths of uniformed and civilian staffs in the defence group of departments.

DEFENCE EQUIPMENT AND STORES

Outlays on defence equipment and stores are designed to ensure that operational equipment (ships, aircraft, etc.) is adequate to meet likely contingencies. Outlays on such equipment in 1973-74 are estimated at \$101.3 million, a decrease of \$36.9 million which reflects the effects of the 1972-73 currency realignments and a tapering off in payments for some items including F111-C aircraft. Expenditure on supporting equipment in 1973-74 is estimated at \$118.5 million, a decrease of \$7.4 million from 1972-73, with savings from currency realignments and the cessation of National Service among the contributing factors.

DEFENCE FACILITIES

Expenditure under this heading is to provide and maintain adequate living and working facilities for personnel. The major factor in the estimated increase of \$13.7 million in 1973-74 is an increase of \$9.5 million in the level of advances to be made to the States for the provision of housing for servicemen and their families.

INDUSTRIAL CAPACITY

The main reasons for the expected increase of \$6.4 million under this heading are the extension of payments to private industry, in addition to Government factories, for the maintenance of reserve production capacity and the provision of additional working capital to support the operations of Government factories. As a consequence of this financial support, however, the rates charged by private industry to Service departments (mainly Air) for repairs and overhauls, will be correspondingly decreased.

RESEARCH AND DEVELOPMENT ESTABLISHMENTS—DEPARTMENT OF SUPPLY

Expenditure on research and development is aimed to assist the Services to keep abreast of advances in military technology and to develop weapons systems for Australia's defence needs. The estimated increase of \$1.1 million reflects mainly wage and other cost increases.

DEFENCE AID AND CO-OPERATION

Through defence aid and co-operation the Government aims to help friendly countries in the region of immediate strategic interest to Australia to strengthen their own, and the region's, capacity for defence. The estimated outlay of \$12.5 million in 1973-74 represents continuing assistance previously committed under three-year programs to Indonesia (a \$20 million program terminating on 30 June 1975) and to Malaysia and Singapore (\$16 million and \$4 million programs respectively, terminating on 30 June 1974). Military training assistance in Australia is also provided on a smaller scale to some other countries, including Fiji, the Philippines and Thailand. In addition, substantial expenditure is incurred by Australia on the development and maintenance of Papua New Guinea's Defence Force.

STORAGE AND TRANSPORT SERVICES

Included in this category are removal and storage costs associated with the transfer of government employees, including servicemen, and the costs of operating Australian Government transport pools. Salary and wage determinations granted during 1972-73 are primarily responsible for the estimated increase of \$1.4 million in 1973-74.

GENERAL ADMINISTRATIVE EXPENDITURE

This broad category of expenditure covers a wide range of matters including travel, office requisites, postage and telephone services, fuel, light, power and water supplies, freight and cartage, compensation payments, and medical and dental services provided by civilian authorities.

CIVIL DEFENCE AND OTHER

Included in this category are outlays on civil defence, war graves and various miscellaneous items.

RECOVERIES AND REPAYMENTS

The large increase of \$30.9 million expected in recoveries and repayments in 1973-74 results from the introduction of a new pay structure for servicemen consequent on the adoption of the Woodward Committee recommendations on service pay and conditions. In past years, service pay has reflected rates of pay *net* of deductions for rations and quarters. Present arrangements, however, are based on a full salary concept which requires recoveries to be made where rations and quarters are provided; such recoveries are estimated at some \$30 million in 1973-74.

OVERSEAS EXPENDITURE

Although not related to the functional classification it may be of interest to comment briefly on the extent to which defence expenditure is being made overseas.

Defence expenditure overseas in 1973-74 is estimated at \$138 million, or \$33 million less than in 1972-73. This expenditure includes payments in respect of F111 and other aircraft, helicopters, submarines, and on maintenance of defence forces overseas; it does not include defence expenditure in Papua New Guinea or on defence aid and co-operation for overseas countries.

In recent years some payments overseas for defence equipment and materials have been financed under credit arrangements negotiated with the United States; such payments amounted to \$56.9 million in 1970-71, \$43.6 million in 1971-72 and \$58.0 million in 1972-73. These credit arrangements were cancelled with effect as from 30 June 1973 and all payments overseas in 1973-74 will be on a cash basis.

Repayments of principal and interest under previously negotiated credit arrangements will continue until 1979-80. In 1972-73, repayments of principal under these loans amounted to \$59.5 million and in 1973-74 are estimated to amount to \$56.7 million. These amounts are not included in the figure for defence expenditure overseas quoted above.

2. EDUCATION

Mention is made in the Budget Speech of the high priority which the Government attaches to education, and of its various initiatives in this field.

Outlays by the Australian Government on education in 1973-74 are estimated at \$843.4 million, equivalent to 6.9 per cent of estimated total budget outlays and over 90 per cent higher than outlays on education in 1972-73. This is the fastest growing area of the budget.

As the following table shows, the prospective increase is spread over all levels of education.

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Universities—					
Recurrent Grants	85.9	98.4	116.0	222.2	+ 106.2
Capital Grants	22.1	28.1	29.5	53.5	+ 24.0
Student Assistance	28.3	34.6	44.0	36.6	— 7.3
Australian Universities Commission	0.2	0.3	0.3	0.5	+ 0.2
Total	136.6	161.3	189.8	312.8	+ 123.0
Colleges of Advanced Education and Teachers Colleges—					
Recurrent Grants	17.5	20.7	30.5	111.6	+ 81.1
Capital Grants	21.5	30.7	34.2	56.7	+ 22.5
Student Assistance	2.8	3.7	7.1	14.8	+ 7.7
Australian Commission on Advanced Education	—	0.1	0.3	0.5	+ 0.2
Total	41.8	55.2	72.0	183.5	+ 111.5
Technical Education—					
Recurrent Assistance	1.1	1.5	2.2	10.3	+ 8.0
Capital Assistance	12.6	7.4	15.9	29.0	+ 13.1
Student Assistance	1.1	1.0	1.0	6.7	+ 5.7
Total	14.8	10.0	19.2	45.9	+ 26.8
Schools and Pre-schools—					
Recurrent Assistance	40.1	48.7	66.9	125.5	+ 58.7
Capital Assistance	36.7	41.4	48.4	107.3	+ 58.9
Student Assistance	7.0	7.1	8.8	12.6	+ 3.7
Total	83.8	97.2	124.1	245.4	+ 121.3
Special Groups—					
Aboriginals	7.3	8.1	14.3	21.3	+ 7.0
Migrant Children	1.8	3.3	5.1	10.6	+ 5.5
Soldiers' Children	3.4	3.6	3.6	3.4	— 0.2
Isolated Children	—	—	2.6	9.8	+ 7.2
Total	12.6	14.9	25.5	45.0	+ 19.5
General Administrative and Other Expenditure—					
Administration	6.1	7.3	8.4	9.7	+ 1.3
Other	0.8	0.8	0.9	1.6	+ 0.7
Total	6.8	8.1	9.3	11.3	+ 1.9
Less Recoveries—	0.4	0.5	0.7	0.6	— 0.1
TOTAL EDUCATION	296.0	346.3	439.3	843.4	+ 404.1

TERTIARY AND TECHNICAL EDUCATION

Universities, Colleges of Advanced Education and Teachers Colleges

The Australian Government's offer to assume full financial responsibility for tertiary education from 1 January 1974 was accepted by the States at the Premiers' Conference in June 1973. (At the same time it was agreed that appropriate offsets would be made in the general purpose funds provided by the Australian Government to the States; details of these offsets are provided in Chapters II and III of *Payments To or For The States, 1973-74*.)

Until December 1973, the Australian Government will continue to make grants to the States for universities, colleges of advanced education and teachers and pre-school teachers colleges on the basis of the existing matching arrangements with the States. These arrangements provide for grants for recurrent expenditure to be made by the Australian Government on the basis of \$1 for each \$1.85 of State grants and student fees combined; grants for capital expenditure are provided on a \$1 for \$1 basis with grants made by the States for this purpose.

The inclusion of teachers and pre-school teachers colleges in the arrangements for other tertiary institutions follows the announcement in May 1973 that assistance would be provided to these colleges from 1 July 1973 on the same basis as to universities and colleges of advanced education. Previously, assistance has been granted for teachers and pre-school teachers colleges under the *States Grants (Teachers Colleges) Acts* of 1967 and 1970 and the *States Grants (Pre-school Teachers Colleges) Act* 1968-1972, respectively. Grants under these Acts have been provided to the States for constructional work and equipping of teachers colleges and to expand the capacity of pre-school teachers colleges. Grants to teachers colleges under these arrangements ceased on 30 June 1973 and those to pre-school teachers colleges will cease at the end of 1973.

When the Australian Government assumes full financial responsibility for these tertiary institutions, students' tuition fees will be abolished.

Details of the Australian Government's programs of financial assistance for past triennia and for the current triennium (1973-75) for universities, colleges of advanced education and teachers colleges are included in Chapter IV of *Payments To or For The States, 1973-74*.

Very large increases are expected in 1973-74 in expenditure on education in universities, colleges of advanced education and teachers and pre-school teachers colleges. Expenditure on university education is estimated at \$312.8 million, an increase of \$123.0 million, while expenditure on the various colleges is estimated to increase by \$111.5 million to \$183.5 million.

The main reasons for these large increases are the Government's decisions to assume full financial responsibility for tertiary education from 1 January 1974, to support higher academic salaries as from 1 January 1973, and to provide for increased costs resulting from the 1973 National Wage Case.

Technical Education

In April 1973 the Australian Government established the Australian Committee on Technical and Further Education to make recommendations on financial assistance to the States for these forms of education. The Committee is the precursor of a Commission that will have similar responsibilities. The Government's intention is that financial assistance will be extended on the basis of recommendations to be made by the Committee from July 1974.

Until that time unmatched capital grants will continue to be made to the States under the *States Grants (Technical Training) Act* 1971-73 towards the building and equipment costs of technical schools and colleges. In February 1973 the Government decided to provide an additional \$10 million in 1973-74 for this purpose. With this increase, total outlays are estimated at \$25.6 million in 1973-74, compared with \$13.6 million in 1972-73.

The Australian Government has decided also to reimburse the States in 1973-74 for fee revenue, estimated at \$7 million, that they will forgo as a consequence of the Government's intention to abolish fees at technical training institutions from 1 January 1974.

Student Assistance

From the beginning of 1974 non-competitive means-tested living allowances will be offered to all full-time non-bonded Australian students admitted to approved courses in tertiary and approved post-secondary institutions; the allowances will be higher than are at present available under existing scholarship schemes. These measures will cost \$32 million in 1973-74, or \$17 million more than the cost of continuing present schemes with existing benefits.

Increases in allowances will be made in the Government's Post-graduate Awards scheme, together with the provision of some additional awards. These new awards and increased allowances are estimated to cost \$0.5 million in 1973-74.

SCHOOLS AND PRE-SCHOOLS

In total, expenditure by the Australian Government on schools and pre-schools is estimated to increase by \$121.3 million in 1973-74 to a total of \$245.4 million.

The schemes of financial assistance under which increased expenditure in 1973-74 is to take place are summarised below. (A detailed account of financial assistance for schools and pre-schools in the States is included in Chapter IV of *Payments To or For The States, 1973-74*.)

Schools

Outlay by the Australian Government on schools reflects initiatives taken over the years to provide financial assistance to the States for certain specific activities of both government and non-government schools. Beginning in 1973-74 it includes also further measures of financial assistance approved by the Australian Government for the two years 1974 and 1975 on the basis of the recommendations of the Interim Committee for the Australian Schools Commission. The Interim Committee is to be replaced by a continuing statutory authority, the Australian Schools Commission.

Interim Committee for the Australian Schools Commission

The first grants to the States, for government and non-government schools, arising out of the recommendations of the Interim Committee for the Australian Schools Commission will be paid from the beginning of 1974. These grants are estimated to total \$97 million for the half-year January to June 1974. Recurrent grants will not be available to non-government schools that are considered to have attained or exceeded already the Interim Committee's target standard of 'recurrent resource use'.

The Schools Committee's program includes grants for general recurrent purposes at government and non-government schools, for new and upgraded buildings, for libraries, 'disadvantaged' schools, handicapped children, teacher development, special projects and information systems.

The *States Grants (Schools) Act 1972* provides for capital assistance for both government and non-government primary and secondary schools in the States by way of unmatched grants over the five-year period commencing 1 July 1973. In 1973-74, these grants will run their course in parallel with the Interim Committee for the Australian Schools Commission's program.

The Act also authorised, for a period of five years beginning January 1973, a contribution by the Australian Government, on a per capita basis, towards the recurrent costs of non-government schools in the States at rates equivalent to 20 per cent of the assessed Australia-wide cost of educating a child in Government primary and secondary schools respectively. From the beginning of 1974, however, recurrent grants to independent schools will be based on the recommendations of the Interim Committee for the Australian Schools Commission and, in due course, of the Schools Commission.

The capital and recurrent grants available for government and non-government schools under the *States Grants (Schools) Act* in 1973-74 are estimated to total \$63.8 million.

School Libraries

The *States Grants (Secondary Schools Libraries) Acts* of 1968 and 1971 provide for unmatched capital grants to the States for libraries in government and non-government secondary schools. This scheme terminates on 31 December 1974. Grants under these arrangements are estimated to total \$9.9 million in 1973-74 compared with \$9.7 million in 1972-73. Additional grants for libraries for 1974 and 1975 for both primary and secondary schools are included in assistance to be made available under the Interim Committee's program.

Science Laboratories

The *States Grants (Science Laboratories) Acts* of 1964, 1965, 1967, 1968 and 1971 provide unmatched capital grants to the States for science laboratories and equipment in government and non-government secondary schools. This scheme terminates on 30 June 1975. Grants under these arrangements in 1973-74 are estimated to total \$10.8 million compared with \$10.0 million in 1972-73. Provision has been made for science laboratories in the assistance to be made available under the Interim Committee's program for 1974 and 1975.

Pre-schools

In March 1973 the Australian Government announced the appointment of an Australian Pre-schools Committee to inquire into and make recommendations concerning financial assistance to the States, local government authorities and voluntary non-profit making institutions, for the establishment and operation of pre-schools and child care centres. As announced in the Budget Speech, an amount of \$10.0 million has been included in the 1973-74 estimates in advance of the report and recommendations of the Committee so that a start can be made on the approved program as early as possible in 1974. A separate provision of \$8.2 million has been made in the estimates under the *Child Care Act* 1972 to assist in the construction and operation of child care centres; this outlay is classified under the function 'Social Security and Welfare'.

Student Assistance

The Australian Government has decided to introduce a scheme of means-tested educational allowances for families on low incomes who have children completing the final two years of secondary schooling on a full-time basis; the allowances, of up to \$304 per annum per child, will be paid from the beginning of 1974. Separately, the Senior Secondary Scholarships Scheme, currently providing 25,000 competitive scholarships per annum, will continue.

SPECIAL GROUPS

Assistance by the Australian Government for the education of special groups is estimated to increase from \$25.5 million in 1972-73 to \$45.0 million in 1973-74.

Aboriginals

Under the Aboriginal Secondary Grants Scheme assistance is provided to encourage Aboriginal children attending secondary schools to stay beyond the normal school leaving age. In 1973 the scope of the scheme was extended to all Aboriginal children attending secondary schools and classes; it had previously applied only to Aboriginal children who continued their schooling beyond the school leaving age.

The Aboriginal Study Grants Scheme provides, in the main, for assistance to Aboriginal students taking courses at universities, teachers colleges and technical, business and agricultural colleges. The allowances payable under this Scheme will also be increased from the beginning of 1974 in line with the increased allowances approved under the tertiary and technical students assistance schemes.

The Australian Government has direct responsibility for the education of Aboriginal children in the Northern Territory and, in accordance with its intention of preserving Aboriginal languages and cultures, has introduced a program under which Aboriginal

children living in distinctive Aboriginal communities will receive their primary education in their own language and will receive instruction in traditional Aboriginal arts, crafts and skills.

Provision of \$4.8 million is made in the Budget for grants to States and to non-government organisations for Aboriginal education purposes in 1973-74. These grants will finance the construction of additional pre-schools, the provision of equipment for pre-schools and primary and secondary schools, and a number of developmental and research programs.

Total assistance for Aboriginal education under these various arrangements is estimated at \$21.3 million in 1973-74, \$7.0 million more than in 1972-73.

Migrant Children

Under the *Immigration (Education) Act* 1971 the Australian Government provides special instruction to assist migrant children with English language difficulties to achieve a sufficient command of English for them to join fully in normal classes. Funds are provided to government and non-government school authorities to purchase special language teaching equipment and to pay the salaries of special teachers. Provision also is made for in-service training for these teachers.

Of the estimated increase of \$5.5 million in expenditure under the scheme in 1973-74, \$2.0 million is for emergency supplementary classroom accommodation in State and independent schools, and the balance for increased salaries, purchases of additional equipment, and research into problems encountered by migrant children.

Soldiers' Children Education Scheme

Under the *Repatriation Act* 1920-1973 there is provision, by way of payment of fees, books, equipment, fares and allowances, for the education and training of children of ex-servicemen who have died as a result of their war service, or are either totally and permanently incapacitated or blind.

The cost of the scheme in 1973-74 is expected to fall slightly, to \$3.4 million, mainly as a consequence of the decision to abolish tertiary education fees from January 1974.

Isolated Children

The Australian Government introduced, from the beginning of the 1973 school year, a scheme of allowances to assist in the education of children who, because of their geographic isolation, do not have reasonable daily access to a government school providing courses at the appropriate level. A basic boarding allowance and an additional allowance subject to a means test are paid in respect of such children living away from home to attend school. Additional assistance is available in cases of particular hardship. For isolated children who study at home by correspondence there is an allowance free of means test. The estimated cost of this scheme in 1973-74 is \$9.8 million.

GENERAL ADMINISTRATIVE AND OTHER EXPENDITURE

General administrative and other expenditure of the Department of Education is estimated to increase by \$1.9 million in 1973-74 to a total of \$11.3 million in line with its increased responsibilities. The increase includes \$435,000 for salaries, \$698,000 for increased rental costs and \$550,000 to give effect to the Government's decisions to establish an Australian curriculum development centre and to increase the funds available for the support of educational research.

INDIRECT ASSISTANCE THROUGH TAXATION

In addition to the outlays on education discussed above, indirect assistance is provided through the taxation system by way of concessions granted to taxpayers under the income tax and sales tax laws. The cost of the income tax concessions, in terms of revenue forgone,

was about \$103 million in respect of the income year 1971-72, the latest year for which figures are available. In estimating the revenue forgone in respect of education deductions (which relates to amounts allowed to taxable individuals) the total cost of education deductions and those relating to 'Social Security and Welfare' and 'Health' have been estimated and the resulting amount of revenue forgone has been apportioned to the component groups and classes of deduction. The maximum deduction allowed for education expenses in the 1971-72 income year was \$400 for each student child of the taxpayer. Where two or more taxpayers were entitled to a deduction for education expenses in respect of one student, the aggregate amount allowed was limited to \$400. Since that time a new deduction, for self-education expenses, has been introduced.

3. HEALTH

Major reforms are under way in the delivery and financing of health care in Australia. To this end, action is being taken to introduce a new health insurance program, to promote community-based health services and the modernisation and regionalisation of hospitals, to introduce a free dental scheme for school children and to improve the health of Aborigines.

Some major initiatives in the field of health to be introduced in 1973-74 include:

- assistance for the establishment of community-based health services, including facilities for the treatment of mental illness, alcoholism and drug dependency;
- assistance to meet urgent needs for additional hospital facilities in Sydney, Melbourne and Brisbane;
- provision of free hospital and medical treatment for ex-servicemen of the Boer War and 1914-18 War for non-war caused disabilities;
- provision of free hospital and medical treatment for all ex-servicemen and women with theatre of war service suffering from malignant cancer, regardless of cause;
- introduction of a free dental scheme for school children;
- a new emphasis on health services for Aborigines.

Direct outlays from the budget on health are estimated to rise from \$783.2 million in 1972-73 to \$978.9 million in 1973-74, an increase of 25.0 per cent. Estimated outlays on health are equivalent to 8.0 per cent of total estimated outlays in 1973-74.

The total cost of Government assistance in the health field includes revenue forgone from various taxation concessions. The cost of these concessions, in terms of revenue forgone, in the 1971-72 income year, the latest year for which data are available, is estimated at \$220 million, made up as follows:

	\$ million
Medical, dental, optical, hospital and funeral expenses . .	135
Contributions to medical and hospital benefit funds . .	85
	<hr/>
	220(a)
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(a) In estimating the revenue forgone in respect of the above group of deductions for health costs (which relate to amounts allowed to taxable individuals), the total costs of the group and those relating to 'Education' and 'Social Security and Welfare' have been estimated and the resulting amount of revenue forgone has been apportioned to the component groups and classes of deduction.

Details of actual outlays on health in the three years to 1972-73, together with estimated outlays in 1973-74, are shown in the following table:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Medical Services and Benefits—					
Medical Benefits—					
General	95.6	132.6	160.2	178.0	+ 17.8
Pensioners	19.9	27.8	30.8	32.0	+ 1.2
Ex-Servicemen and Women	13.4	16.1	17.0	19.9	+ 2.9
Total	128.9	176.4	208.1	229.9	+ 21.8
Hospital Services and Benefits—					
Hospital Benefits—					
General	49.8	67.3	82.3	97.4	+ 15.1
Pensioners	23.5	24.1	23.8	25.7	+ 1.9
Ex-Servicemen and Women	43.6	49.6	56.8	68.7	+ 11.8
Mental Health Facilities	7.1	7.6	7.0	5.7	- 1.3
Hospitals in the Territories (Net)	17.0	30.4	28.1	33.3	+ 5.2
Capital Cities Hospital Development	—	—	—	4.5	+ 4.5
Total	141.1	178.9	198.1	235.3	+ 37.2
Pharmaceutical Services and Benefits—					
Pharmaceutical Benefits—					
General	115.1	121.3	119.5	147.3	+ 27.8
Pensioners	45.2	52.0	58.1	66.4	+ 8.3
Administration	1.8	2.2	2.3	2.7	+ 0.3
Ex-Servicemen and Women	16.6	19.0	20.0	24.3	+ 4.3
Total	178.7	194.5	200.0	240.6	+ 40.7
Nursing Home and Domiciliary Care Services and Benefits—					
Nursing Home Benefits	49.5	70.6	92.8	120.8	+ 28.0
Domiciliary Care Benefits	—	—	1.0	7.0	+ 6.0
Nursing Care for Ex-Servicemen and Women	1.6	1.7	4.0	10.0	+ 6.0
Other	1.8	2.3	3.5	4.6	+ 1.1
Total	52.9	74.6	101.4	142.5	+ 41.1
Community Health Facilities and Services	—	—	—	17.5	+ 17.5
Treatment and Prevention of Tuberculosis	12.1	11.1	12.5	13.4	+ 0.9
Health Schemes for School Children—					
Free Milk Supply	10.2	11.9	11.8	8.2	- 3.5
Dental Services	—	—	..	7.9	+ 7.9
Total	10.2	11.9	11.8	16.1	+ 4.3
Health Services in the Territories nec	5.3	6.5	7.7	10.5	+ 2.8
Health Services for Aborigines	1.2	2.0	4.3	12.9	+ 8.6
Other Health Services—					
Medical Research Grants	2.3	2.7	3.7	4.3	+ 0.5
Commonwealth Serum Laboratories	—	1.3	2.7	3.2	+ 0.4
Health Laboratories	6.5	8.2	9.1	11.7	+ 2.5
Drug Education	0.4	0.5	0.5	0.8	+ 0.3
Anti-Smoking Campaign	—	—	0.5	0.5	..
Blood Transfusion Service and Products	1.9	2.2	2.4	3.0	+ 0.6
Quarantine Services	2.8	3.7	4.7	4.6	..
Other	2.0	2.1	2.5	3.4	+ 0.8
Total	15.8	20.7	26.2	31.3	+ 5.1
General Administrative Expenditure	14.3	11.8	14.1	29.7	+ 15.6
Less Recoveries	0.8	1.0	0.7	0.8	+ 0.1
TOTAL HEALTH	559.6	687.4	783.2	978.9	+ 195.7

Brief descriptions of the purposes of some of these expenditures follow.

MEDICAL SERVICES AND BENEFITS

Medical Benefits—General

Under the present voluntary health insurance scheme, the Government provides benefits for medical services rendered to contributors to registered medical insurance funds and to their dependants. The rates of Government and fund benefits are related to the fees for medical services and are set out in the Schedules to the National Health Act.

In respect of some insured patients (known as 'Special Account' contributors) whose medical and hospital claims would otherwise be disallowed because of fund rules relating to pre-existing ailments, chronic illness or maximum benefits, the Australian Government reimburses the funds for any losses incurred in providing benefits.

To assist families with incomes of \$60.50 a week or less, the Government, under the Subsidised Health Benefits Plan, meets the cost of medical insurance benefits and hospital insurance benefits to cover public ward treatment. This entitlement applies also to unemployment and sickness beneficiaries and to migrants for a period of two months after arrival in Australia. Graduated assistance is provided to families with incomes exceeding \$60.50 a week but not exceeding \$69.50 a week.

Expenditure on general medical benefits is expected to reach \$178.0 million in 1973-74, an increase of \$17.8 million on expenditure in 1972-73. The increase reflects, in the main, an increase in population, an increase in utilisation of medical services and greater use of higher cost services. The estimates make no provision for the cost of higher Government benefits which might be determined in the light of the recommendations of the Medical Fees Tribunal that, at the time of writing, was inquiring into medical fees.

Medical Benefits—Pensioners

The Government meets the cost of general practitioner surgery consultations and home visits for pensioners enrolled in the Pensioner Medical Service (and their dependants). These costs are expected to increase by \$1.2 million in 1973-74 to \$32.0 million as a result of an increase in membership of the scheme and a small increase in the number of services per member.

Treatment and Allowances for Ex-servicemen and Women

The Repatriation Commission meets the costs for eligible persons of specialist, local medical officer, paramedical and dental services, of providing and maintaining surgical aids (including spectacles) and of travelling expenses for the purpose of medical treatment.

The cost of providing these services is expected to increase by \$2.9 million in 1973-74 to \$19.9 million. The increase reflects, in the main, new policies announced in the Budget Speech, namely the provision of free treatment for ex-servicemen of the Boer War and the 1914-18 War and for all ex-servicemen and women with theatre of war service suffering from malignant cancer. These measures are expected to cost \$2.0 million in 1973-74 and \$2.7 million in a full year.

HOSPITAL SERVICES AND BENEFITS

Hospital Benefits—General

Under the voluntary health insurance scheme, the Government provides a benefit of \$2 a day for in-patients insured against the cost of hospital treatment. Uninsured patients receive a Government benefit of 80 cents a day. In cases where no charge is made by a hospital, a benefit of \$2 for each qualified in-patient day is paid direct to the hospital.

The cost of Government hospital benefits is expected to increase by \$15.1 million in 1973-74 to \$97.4 million. The increase reflects mainly a greater number of bed-days qualifying for Government benefits, an increase in the number of 'Special Account' contributors and increased membership of the Subsidised Health Benefits Plan.

Hospital Benefits—Pensioners

Under an arrangement with State Governments, pensioners enrolled in the Pensioner Medical Service are entitled to free public ward hospital treatment. The Government makes a payment of \$5 for each pensioner bed-day towards the cost of this treatment.

The cost of this scheme is expected to increase by \$1.9 million in 1973-74 to \$25.7 million.

Treatment for Ex-servicemen and Women

Hospitals and clinics are maintained in each State for the treatment of eligible ex-servicemen and women and dependants. Use is also made of State public hospitals where appropriate.

The cost of this treatment (including capital outlay) is expected to increase by \$11.8 million in 1973-74 to \$68.7 million. The main component in the cost of treatment is salaries and allowances which is expected to increase by \$6.2 million to \$40.9 million in 1973-74, largely because of the full-year effect of determinations in 1972-73. Capital expenditure on Repatriation institutions is expected to increase by \$3.4 million to \$11.0 million in 1973-74.

Free hospital treatment will be given to ex-servicemen of the Boer War and 1914-18 War and ex-servicemen and women with theatre of war service suffering from malignant cancer. The estimated cost of these measures in 1973-74 is \$0.7 million and the full-year cost is \$1.2 million. The estimated expenditure in 1973-74 also reflects the Government's decision to provide, free of charge, through the Repatriation Artificial Limb and Appliance Centres either directly or through commercial limb makers, artificial limbs to all persons who need them. This is estimated to result in current expenditure of \$0.2 million in 1973-74 and \$0.5 million in a full-year. Capital expenditure is estimated at \$0.5 million in 1973-74.

Mental Health Facilities

Since 1955 the Government has reimbursed State Governments one third of the capital costs of new mental health institutions. The most recent Act under which this assistance has been provided terminated on 30 June 1973 but the Government has still to reimburse the States \$1.75 million in 1973-74 for approved expenditures incurred before 30 June 1973 and an amount has been included in the budget figures for this purpose.

Proposed new arrangements for mental health assistance are described under the heading, Community Health Facilities and Services.

Other expenditures under this item include an annual payment to the New South Wales State Government for the cost of maintaining residents of the Australian Capital Territory who are receiving psychiatric treatment and the cost of medical care and treatment for eligible ex-servicemen and women at State mental hospitals.

Hospitals in the Territories

The Canberra Hospital Management Board operates two hospitals in the Australian Capital Territory and the Department of Health operates five hospitals and a leprosarium in the Northern Territory.

The net cost of hospital services in the Territories is expected to increase by \$5.2 million in 1973-74 to \$33.3 million. The increase is largely attributable to the construction and operation of the Woden Valley Hospital in the Australian Capital Territory, the expansion of Northern Territory hospitals and to the full year effect of award increases granted to hospital staff during 1972-73.

Capital Cities Hospital Development

As announced in the Budget Speech, grants totalling \$4.5 million will be made in 1973-74 to New South Wales, Victoria and Queensland towards the planning and construction of a hospital at Westmead in Sydney and towards site acquisition and planning of a major hospital in both Melbourne and Brisbane. The Interim Committee of the Hospitals and Health Services Commission has identified areas in these cities urgently needing additional hospital facilities and will continue its examination of hospital needs in other areas of Australia. Of the total funds, \$4.0 million will be made available to New South Wales and 0.25 million to each of the other two States.

PHARMACEUTICAL SERVICES AND BENEFITS*Pharmaceutical Benefits—General and Pensioners*

Except for a flat charge per prescription which is payable by patients, the Government meets the cost of a range of drugs and medicinal preparations supplied on a doctor's prescription to any person in the community. The patient contribution is \$1 per prescription except for persons eligible to receive assistance under the Subsidised Health Benefits Plan where the contribution is 50 cents, and for persons enrolled in the Pensioner Medical Service, and their dependants, where no contribution is payable.

Expenditure on pharmaceutical benefits for the general population is estimated to increase by \$27.8 million in 1973-74 to \$147.3 million. Of the increase, \$6.7 million reflects increases in dispensing fees for chemists, including retrospective payments (the full-year cost is \$4.6 million). Increases in population and utilisation, and changes in prescribing patterns account for the remainder.

Expenditure on pharmaceutical benefits for eligible pensioners is estimated to increase by \$8.3 million in 1973-74 to \$66.4 million. The additional outlay results from increases in chemists' dispensing fees, including retrospective payments, amounting to \$3.3 million (the full-year cost is \$2.2 million) and increases in numbers and utilisation.

Pharmaceutical Benefits—Ex-servicemen and Women

Pharmaceutical benefits are provided free of charge by the Repatriation Commission to eligible ex-servicemen and women and dependants.

The cost of these benefits is estimated to increase by \$4.3 million in 1973-74 to \$24.3 million. The main element in the increase is the extension of free treatment to ex-servicemen of the Boer War and 1914-18 War and to ex-servicemen and women with theatre of war service suffering from malignant cancer. The estimated cost of these measures in 1973-74 is \$2.1 million and \$2.8 million in a full year.

NURSING HOME AND DOMICILIARY CARE SERVICES AND BENEFITS

Nursing Home Benefits

A benefit of \$3.50 a day is payable to all patients in nursing homes. An additional benefit of \$3.00 a day is payable to those patients requiring intensive care. As from 1 January 1973 a fund benefit (related to fees in each State) became payable to insured patients. For pensioners enrolled in the Pensioner Medical Service, the Government pays an additional benefit equivalent to the relevant fund benefit in each State.

Expenditure on nursing home benefits is expected to increase by \$28.0 million in 1973-74 to \$120.8 million. The increase reflects an increase in the number of patient bed-days and the full-year effect of the additional benefit for eligible pensioners which was introduced on 1 January 1973.

Domiciliary Care Benefits

Subject to certain criteria being met, the Government pays a benefit of \$2 a day to persons who arrange for the provision of nursing care for elderly relatives at home. The benefit was introduced on 1 March 1973. Expenditure amounting to an estimated \$7.0 million in 1973-74 represents the cost of the benefit in its first full year.

Nursing Home and Domiciliary Care for Ex-servicemen and Women

Nursing home accommodation is provided, free of charge, to those ex-servicemen and women whose war-related disabilities involve constant care and management. Special and intermediate rate war pensioners, 1914-18 War nurses and chronically ill war widows are assisted with the cost of their nursing home accommodation on the same basis as nursing home patients who are enrolled in the Pensioner Medical Service. Free domiciliary care services are provided as required.

Expenditure on nursing home and domiciliary care for eligible persons is expected to increase by \$6.0 million in 1973-74 to \$10.0 million. The greater part of the increase results from the full-year effect of the additional benefits for repatriation nursing home patients which became effective from 1 January 1973. The extension of free treatment to ex-servicemen of the Boer War and 1914-18 War and to ex-servicemen and women with theatre of war service suffering from malignant cancer is expected to cost \$0.9 million in 1973-74 and \$1.2 million in a full year.

Other

This item includes grants to the States to assist in providing nursing home accommodation for aged persons of limited means and subsidies to non-profit organisations that provide home nursing services. The estimated increase of \$1.1 million in these expenditures includes the cost in 1973-74—\$155,000—of the increase in subsidies paid to home nursing services announced in the Budget Speech.

COMMUNITY HEALTH FACILITIES AND SERVICES

It is proposed to provide assistance mainly to the States for the provision of comprehensive community-based health services, such as community health centres. In 1973-74 the Government will meet both capital and operating costs of approved facilities and \$10 million has been provided for this purpose.

It is also proposed to introduce legislation to authorise grants to the States and local authorities for the development of facilities—other than in-patient facilities—for treating mental illness, alcoholism and drug dependency. The grants will meet the capital costs of approved facilities, including non-residential and hostel facilities and the maintenance costs of approved non-residential services, including expenditure on preventive programs, research and evaluation. The proposed legislation would also authorise, on the recommendations of the States, grants towards the capital and maintenance expenditure of voluntary organisations involved in the fields of alcoholism and drug dependency. For 1973-74 an amount of \$7.5 million has been provided for this program.

TREATMENT AND PREVENTION OF TUBERCULOSIS

Under the *Tuberculosis Act* 1948, the Government reimburses the States for capital expenditures on facilities for the treatment of tuberculosis and for maintenance expenditure on the diagnosis and treatment of tuberculosis to the extent that the maintenance expenditure is in excess of the States' maintenance expenditure in 1947-48.

The Government also extends allowances to persons suffering from tuberculosis and their dependants. These allowances will be increased in line with social service pensions and benefits.

Expenditure on the treatment and prevention of tuberculosis is estimated to increase by \$0.9 million in 1973-74 to \$13.4 million.

HEALTH SCHEMES FOR SCHOOL CHILDREN

Under agreements with the States the Government has reimbursed them for the cost of supplying one-third of a pint of milk each day of the school year to children under 13 years of age. As announced in the Budget Speech, it is proposed to enter into discussions with the States with a view to modifying the scheme as from 1 January 1974 or as soon as possible thereafter.

The Government is establishing, in co-operation with the States, an Australia-wide school dental scheme. The aim is to provide a free dental service to all pre-school and primary school children by 1980 and, subsequently, to secondary school children under 15 years of age. The Government will meet the capital and running costs of training facilities as well as the capital costs and 75 per cent of the running costs of clinics.

Total expenditure on health schemes for school children is expected to increase by \$4.3 million in 1973-74 to \$16.1 million. Expenditure on the free supply of milk to school children is expected to decline by \$3.5 million, but this will be more than offset by the estimated expenditure of \$7.9 million on the school dental scheme.

HEALTH SERVICES IN THE TERRITORIES

In the Australian Capital Territory and the Northern Territory the Australian Government provides health services of the type provided elsewhere in Australia by State and local government authorities. These services include public health activities, ambulance services and community health centres. The cost of these services is estimated to increase by \$2.8 million in 1973-74 to \$10.5 million.

HEALTH SERVICES FOR ABORIGINALS

The main item under this heading is grants to the States for Aboriginal health services. These grants, which are estimated to increase by \$6.3 million in 1973-74 to \$9.1 million, will provide additional hospital facilities, clinics, health centres, doctors and nurses in areas of higher Aboriginal population. Provision is also made for the development of programs of health education and preventive medicine.

Expenditure in the Northern Territory on Aboriginal health services is also expected to increase significantly.

OTHER HEALTH SERVICES***Medical Research Grants***

Through the medical research program of the National Health and Medical Research Council, the Australian Government assists the medical research activities of Australian and State Government departments, universities and institutions, and of individual research workers and the training of medical research workers. The increase of \$0.5 million in 1973-74 to \$4.3 million reflects the first full-year cost of the Council's 1973-75 triennial program.

Commonwealth Serum Laboratories Commission

The main functions of the Commonwealth Serum Laboratories Commission are to produce and sell biological products, undertake research into the production of therapeutic biological products and hold stocks of biological products. The total provision of \$3.2 million for 1973-74 is \$0.4 million higher than for 1972-73.

The Government has announced its intention to establish a separate Australian Pharmaceutical Commission, alongside the Commonwealth Serum Laboratories Commission, to acquire a non-biological production unit with a view to the later amalgamation of the two Commissions. No funds have been provided for this purpose in the Budget.

Health Laboratories

This item covers the running costs of the Australian Government Health Laboratories, the Acoustic Laboratories, the Radiation Laboratory and the National Biological Standards Laboratory.

The Health Laboratories make available a free clinical pathology service to hospitals and medical practitioners.

The Acoustic Laboratories supply hearing aids to children, ex-servicemen and eligible pensioners and their dependants and conduct research. As announced in the Budget Speech, it is proposed to amend the National Health Act to abolish the \$10 charge currently paid by eligible pensioners and their dependants who are supplied with hearing aids. The amendment will also entitle these persons to receive free hearing aid batteries from the Acoustic Laboratories. The estimated cost of these measures in 1973-74 is \$75,000 and the estimated full-year cost is \$150,000.

Standards for the measurement of ionising radiations and radioactive substances are maintained by the Radiation Laboratory. The Laboratory is also responsible for procuring and distributing all radio-isotopes used in Australia and for the surveillance of the level of radioactivity in the Australian environment.

The National Biological Standards Laboratory is responsible for testing therapeutic products recommended for listing as pharmaceutical benefits. The Laboratory is also involved in setting standards for goods which come within the provisions of the Therapeutic Goods Act.

Expenditure by Health Laboratories is expected to increase by \$2.5 million in 1973-74 to \$11.7 million.

Educational Campaigns

The Government sponsors two educational campaigns in the health field—the National Drug Education Program and the Anti-Smoking Campaign.

Since 1970-71 the Australian Government has provided funds to support State and National projects of drug education; \$750,000 has been allocated for the program in 1973-74.

The National Education Campaign on Smoking was launched in 1972. Under this program, up to \$500,000 for each of the three years to 1974-75 has been allocated for the purposes of disseminating information on the health hazards of smoking. To reinforce this educational campaign, the Government has decided that advertising of cigarettes and cigarette tobacco on television and radio will be phased out over three years.

Blood Transfusion Service and Products

The Australian Government meets 30 per cent of the annual operating cost of the Red Cross Society's Blood Transfusion Service in the States and 90 per cent in its Territories.

Blood collected by the Society's Transfusion Service is processed into blood fractions, plasma and serum by the Commonwealth Serum Laboratories Commission. The blood products are supplied, free of charge, to hospitals and approved pathologists for use in medical diagnosis and treatment. The Australian Government reimburses the Commission for the cost of processing the blood.

The Government's contributions are estimated to increase by \$0.6 million in 1973-74 to \$3.0 million.

Quarantine Services

Human, animal and plant quarantine measures are enforced mainly to prevent the introduction of exotic diseases into Australia. By arrangement, the States administer animal and plant quarantine with costs being reimbursed by the Australian Government. Human quarantine is administered by the Australian Government.

To encourage the safe disposal of overseas ships' garbage, the Australian Government has met the whole cost of providing incinerators and ancillary structures at selected ports and has shared with the States half the cost of access roads.

Quarantine services in 1973-74 are expected to cost \$4.6 million, about the same as in 1972-73.

Other

This item includes the cost of the Australian Government's annual subsidy to the Royal Flying Doctor Service (currently \$485,000 a year), subsidies towards the cost of certain international health conferences and administrative expenditures related to public health and the administration of the Therapeutic Goods Act.

GENERAL ADMINISTRATION

This item comprises the general administrative and capital expenses of the Department of Health and the Department of Social Security (in respect of health insurance). The estimated increase in administrative expenses of \$15.6 million in 1973-74 to \$29.7 million, includes the full-year effect of salary and other cost increases in 1972-73 and expenditure of \$8.0 million for a computer that the Department of Social Security will use for the proposed new health insurance program.

RECOVERIES

Recoveries include miscellaneous charges imposed by the Australian Capital Territory and the Northern Territory Health Services and charges met by certain countries for treatment given to their ex-servicemen through Repatriation facilities.

4. SOCIAL SECURITY AND WELFARE

The Australian social security system is designed to protect people from economic hardship caused by events such as loss of earnings through age, invalidity, sickness, unemployment or the loss or absence of a supporting male as a result of death, desertion or long-term separation. It is designed also to compensate ex-servicemen for war-caused disabilities and the dependants of those whose deaths are war related and to assist parents with the expenses associated with bearing and raising children.

Much of this assistance is provided by way of cash benefits. There are selective, or means tested, benefits such as invalid and widows pensions and unemployment benefits, as well as universal benefits such as maternity allowances and child endowment.

Additionally, assistance is provided, either directly or through State and local government authorities and voluntary agencies, for a wide range of welfare services for people with special needs. For example, the aged are assisted with their accommodation needs and invalids may be trained so that they can re-enter paid employment.

Assistance is also provided in a variety of forms for the advancement of Aborigines.

Total direct outlays on social security and welfare are estimated to increase from \$2,099.7 million in 1972-73 to \$2,439.2 million in 1973-74, an increase of 16.2 per cent. Direct outlays on social security and welfare in 1973-74 are equivalent to 20.0 per cent of estimated total budget outlays.

In addition to these direct outlays on social security and welfare, indirect assistance is provided in the form of concessions in the income tax and sales tax laws. The cost of the income tax concessions, in terms of revenue forgone, is estimated at \$653 million for the income year 1971-72, the latest year for which figures are available. Details are set out below:

	\$ million
Maintenance of dependants and housekeepers ..	340
Superannuation contributions, life assurance premiums, etc., by individual taxpayers(a)	300
Age allowance	13
	<u>653(b)</u>

(a) This is the estimated cost of the relevant income tax deductions allowed to taxable individuals. It does not take account of any income tax payable on superannuation pensions received subsequently by contributors.

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

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Assistance to the Aged—					
Pensions and Allowances	582.9	680.3	887.7	1,119.0	+ 231.3
Aged Persons Accommodation	23.3	28.5	31.9	37.5	+ 5.6
Home Care Services	0.7	1.1	2.4	3.6	+ 1.2
Other	0.1	0.1	0.1	0.1	..
Total	607.1	710.0	922.2	1,160.2	+ 238.1
Assistance to Ex-Servicemen and their Dependants—					
War Pensions and Allowances	195.1	215.0	228.7	257.2	+ 28.5
Service Pensions	43.7	49.2	72.3	107.1	+ 34.8
Other	0.2	0.2	0.3	0.4	+ 0.1
Total	239.0	264.4	301.3	364.7	+ 63.4
Assistance to the Handicapped—					
Invalid Pensions and Allowances	119.4	138.2	184.7	221.5	+ 36.8
Sheltered Employment Allowances and Facilities	2.3	3.9	5.3	5.8	+ 0.5
Handicapped Childrens Benefit and Facilities	1.5	1.8	2.2	3.0	+ 0.7
Rehabilitation Services	3.2	4.0	4.7	5.8	+ 1.1
Other	0.1	0.1	0.2	0.3	+ 0.1
Total	126.4	148.1	197.1	236.3	+ 39.2
Assistance to Widows and Supporting Mothers—					
Widows Pensions and Allowances	90.5	104.6	140.5	174.3	+ 33.8
Supporting Mothers Benefit and Allowances	—	—	—	34.5	+ 34.5
Other	3.7	5.9	9.7	6.3	- 3.4
Total	94.2	110.5	150.3	215.1	+ 64.8

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Assistance to Families—					
Child Endowment	198.5	216.6	253.9	229.0	— 24.9
Maternity Allowance	8.6	8.6	8.0	8.3	+ 0.3
Child Care	—	—	0.2	8.2	+ 8.0
Other	0.4	0.5	0.7	1.9	+ 1.2
Total	207.4	225.7	262.8	247.4	— 15.4
Assistance to the Unemployed and Sick—					
Unemployment and Sickness Benefits	23.5	44.8	77.5	77.3	— 0.2
Unemployment Relief Grants ..	—	27.0	103.8	12.0	— 91.8
Tariff Adjustment Assistance ..	—	—	—	10.0	+ 10.0
Fares for Unemployed Persons ..	..	..	0.1	..	— 0.1
Total	23.5	71.8	181.4	99.3	— 82.1
Other Welfare Programs—					
Emergency Assistance to Wool-growers	21.3	0.2	—	—	—
Funeral Benefits	1.7	1.6	1.6	1.6	+ 0.1
Telephone Rental Concessions ..	3.6	4.6	5.0	5.4	+ 0.4
Australian Assistance Plan ..	—	—	—	1.7	+ 1.7
Welfare Programs in the Territories nec	0.8	0.9	1.0	1.6	+ 0.6
Other	0.2	0.2	0.2	0.3	+ 0.1
Total	27.6	7.5	7.8	10.7	+ 2.9
Aboriginal Advancement Programs nec—					
Business Enterprises	—	—	1.0	3.0	+ 2.0
Other	8.3	9.7	16.0	25.3	+ 9.3
Total	8.3	9.7	17.0	28.3	+ 11.3
General Administrative and Other Expenditure	47.6	50.9	62.8	80.0	+ 17.1
Less Recoveries and Repayments ..	2.4	2.5	2.9	2.9	— 0.1
TOTAL SOCIAL SECURITY AND WELFARE ..	1,378.7	1,596.2	2,099.7	2,439.2	+ 339.5

Brief explanations of the composition of the items and comments on the estimates of direct outlay in 1973-74 are given below.

ASSISTANCE TO THE AGED

Pensions and Allowances

Age pensions are payable, subject to a means test on income and property, to residentially qualified women aged 60 years or more and to residentially qualified men aged 65 years or more. To be residentially qualified for age pension, a period of ten years continuous residence in Australia is usually necessary.

As announced in the Budget Speech, the means test on age pension eligibility for residentially qualified men and women aged 65 years and over is to be abolished within the life of the Parliament. From the Spring of 1973 the means test will be abolished for those aged 75 years and over; from the Spring of 1974 for those aged 70 to 74 years; and from the Spring of 1975 for those aged 65 to 69 years. All age pensions will be subject to tax but special tax rebate arrangements will be made to ensure that, generally, existing pensioners are not made worse off as a result.

Wife's pension is payable to an age pensioner's wife who does not qualify for an age, invalid or repatriation service pension in her own right. The pension is and will continue to be paid subject to the means test.

Additional payments are made to all pensioners with dependent children. These additional payments are and will continue to be subject to the means test.

Supplementary assistance is payable, subject to a special means test, to pensioners who are required to pay rent or lodging charges.

Upon the death of one of a married pensioner couple, the surviving member may become entitled to receive, for up to six fortnightly instalments, the equivalent of the two pensions that would have been paid if the spouse had not died.

The existing and proposed maximum rates of the above benefits are set out below:

Benefit	Existing	Proposed	
		From Spring 1973	From Autumn 1974
	\$ per week	\$ per week	\$ per week
Standard (or single) rate of pension	21.50	23.00	24.50
Married rate of pension (including wife's pension)—each	18.75	20.25	21.75
Each dependent child (including a student child) ..	4.50	5.00	5.00
Guardians allowances—			
where there is a child under 6 years or an invalid child			
requiring full-time care	6.00	6.00	6.00
other cases	4.00	4.00	4.00
Supplementary assistance—for eligible pensioners who			
pay rent	4.00	4.00	4.00

The average number of age pensioners (including women in receipt of wife's pension) in 1972-73 was 896,500; in 1973-74 the number is estimated to increase by 95,500 to 992,000. The main factors contributing to this increase are the means test liberalisations announced in last year's budget and 'normal' growth. In addition, about 31,000 persons are estimated to become age pensioners as a result of abolition of the means test for residentially qualified men and women aged 75 years and over from the Spring of 1973.

The average amount of age pension (including additions for children and supplementary assistance) is estimated to rise from \$19.04 a week in 1972-73 to \$21.69 a week in 1973-74, an increase of about 14 per cent. The main reasons for this are the proposed increases in benefit rates, the full-year effects of increased rates of benefit introduced during 1972-73 and the abolition of the means test for residentially qualified men and women aged 75 years and over.

The following table sets out the estimated expenditures in 1973-74 and in a full-year resulting from the decisions announced in the Budget Speech:

	1973-74	Full Year
	\$ million	\$ million
Increases of \$1.50 a week in the standard (or single) and married rates of pension in the Spring and Autumn	75.4	150.9
Abolition of the means test for residentially qualified men and women aged 75 years and over	31.5	42.0
Increase of \$0.50 a week in the additional pension for dependent children	0.2	0.2
	107.1	193.1

Aged Persons Accommodation

The *Aged Persons Homes Act* 1954-1972 is designed to encourage and assist organisations to provide suitable homes in which aged people may live in conditions approaching as nearly as possible ordinary domestic life. The Government makes grants on a \$2 for \$1 basis to religious and charitable organisations and local governing bodies towards the cost of erection, extension or purchase of homes for the aged. The Government also pays a personal care subsidy to eligible organisations for persons aged 80 years or over who receive approved personal care while living in hostel-type accommodation provided by those organisations. It is proposed to increase the rate of subsidy from \$10 a week to \$12 a week and extend eligibility for the benefit to residents of approved hostels who, though not yet 80 years of age, require and receive approved personal care services.

Expenditure on these purposes is estimated to be \$25.0 million in 1973-74, \$0.3 million less than in 1972-73. The number of grants made for homes for the aged is expected to decline in 1973-74 mainly because organisations eligible for assistance under the more generous subsidy arrangements under the *Aged Persons Hostels Act* 1972 (see below) are expected to seek assistance under that Act rather than under this scheme. This decline, however, is almost offset by an estimated increase in expenditure on the personal care subsidy.

The *Aged Persons Hostels Act* 1972 is designed to encourage over a three year period, the provision of hostel accommodation for the aged. Subject to certain conditions, the Australian Government meets the cost of providing additional hostel accommodation by eligible organisations. Accommodation provided under the Act must be allocated strictly on the basis of need and without any contribution from the prospective resident.

Expenditure under the Act is estimated to be \$7.5 million in 1973-74, \$7.3 million greater than in 1972-73. 1973-74 will be the first full year of the program and a significant increase in the number of grants is expected.

Under the *States Grants (Dwellings for Aged Pensioners) Act* 1969 grants totalling \$25 million are being made available to the States over the five financial years ending 1973-74 for the purpose of providing self-contained dwelling units at reasonable rentals for single age pensioners or repatriation service pensioners (receiving pensions on grounds of age) who have little or no means apart from pension. The amount has been allocated among the States broadly in proportion to the relation that the number of age pensioners receiving supplementary assistance in a State bears to the total number of those pensioners in the six States.

The balance (\$5 million) of the \$25 million five year program under the Act will be expended in 1973-74. Consideration is being given to extending the program.

Home Care Services

Under the *States Grants (Home Care) Act* 1969 and the *States Grants (Paramedical Services) Act* 1969 the Australian Government provides funds, in association with the States, for the provision of a range of home care services mainly for aged persons and for the provision of senior citizens centres.

Under the *States Grants (Home Care) Act* 1969, the Australian Government shares on a \$1 for \$1 basis with the States the cost of approved housekeeping or other domestic assistance provided wholly or mainly for aged persons in their homes. The Australian Government also shares on a \$1 for \$1 basis with the States up to a maximum of one third of the capital cost of approved senior citizens centres as well as meeting on a \$1 for \$1 basis with the States the cost of the salary of a welfare officer employed by such a centre. As announced in the Budget Speech, the Government has decided to contribute \$2 for every \$1 contributed by the States for these activities. Grants are estimated to amount to \$2.4 million in 1973-74, \$0.7 million more than in 1972-73.

The Australian Government shares, on a \$1 for \$1 basis with the States the cost of approved paramedical services provided wholly or mainly for aged persons in their homes under the *States Grants (Paramedical Services) Act* 1969. Grants in 1973-74 are estimated at \$95,000, \$18,000 more than in 1972-73.

The *Delivered Meals Subsidy Act* 1970 is designed to assist the establishment, expansion, improvement or maintenance of approved meals-on-wheels services. The basic rate of subsidy is 15 cents a meal. An additional subsidy of 5 cents a meal is payable if the organisation undertakes to include with each meal approved kinds and quantities of fresh fruit or fruit juice. As announced in the Budget Speech, it is proposed to increase the basic rate of subsidy to 20 cents a meal and to re-imburse organisations on a quarterly rather than on an annual basis as previously. Expenditure under the Act in 1973-74 is estimated to be \$1.1 million, \$0.5 million more than in 1972-73.

ASSISTANCE TO EX-SERVICEMEN AND THEIR DEPENDANTS

War Pensions and Allowances

In general, for an ex-serviceman or his dependants to be eligible for war pension and associated benefits, the ex-serviceman must have had service in the 1914-1918 War, the 1939-1945 War, or certain subsequent operations of a war-like nature, and have suffered incapacity or death related to that service.

Basic eligibility varies according to the nature of service. Broadly, for those with 'active service', incapacity or death resulting from 'any occurrence' during war service may be accepted. The criterion is narrower for home service, in that incapacity or death must have arisen out of, or be attributable to, war service.

Classes of War Pensions

Ex-servicemen: pensions are paid to eligible ex-servicemen in three main categories:

- The Special Rate (known as the T & PI) pension, payable to an ex-serviceman who, as a result of war service, is blinded, or is totally and permanently incapacitated so that he is unable to earn more than a negligible percentage of a living wage.
- The Intermediate Rate, payable to an ex-serviceman who, because of the severity of his incapacity accepted as related to war service, can work only part-time or intermittently and, in consequence, cannot earn a living wage.
- The General Rate, payable to an ex-serviceman who has an incapacity accepted as related to war service but is not, because of that incapacity, prevented from being able to work full-time. The amounts payable range from 10 per cent to 100 per cent of the maximum general rate, according to the assessed degree of incapacity.

Dependants of ex-servicemen: war pensions are also paid to the wives of incapacitated ex-servicemen and to dependent children. Such persons are paid at rates varying with the assessed degree of the particular ex-serviceman's incapacity. When the death of an ex-serviceman has been accepted as related to his war service, his widow qualifies for the war widows rate of pension and for associated benefits, while his children receive pensions at 'orphan' rates and other benefits. If an ex-serviceman's death has not been accepted as related to war

service, but at the time of death he was receiving, or is later adjudged to have been eligible to receive, a pension at one of the special rates, his dependants qualify for pensions as if his death had been accepted as due to war service. Other dependants of deceased ex-servicemen may qualify for war pensions in certain cases.

Allowances

Various allowances are provided to supplement war pensions. These allowances vary according to the type or severity of disablement and the special needs of the pensioners.

The existing and proposed rates of the main war pensions and allowances are set out below:

Benefit	Existing	Proposed	
		From Spring 1973	From Autumn 1974
	\$ per week	\$ per week	\$ per week
War Pensions—			
Member—			
Special rate	51.10	55.60	60.10
Intermediate rate	36.55	38.80	41.05
General rate	16.00	19.00	22.00
Wife	4.05	4.05	4.05
Each child	1.38	1.38	1.38
War Widow	21.50	23.00	24.50
War Orphans—			
Father dead—each child	7.35	9.25	9.25
Both parents dead—each child	14.70	18.50	18.50
Special Compensation Allowance	6.00	3.00	Nil
Allowances payable under the Fifth Schedule to the Repatriation Act for certain amputations and/or loss of vision—			
Items 1 to 6	35.10	36.60	38.10
Items 7 to 15	1.80	2.25	2.25
	to	to	to
	11.75	14.70	14.70
Sustenance Allowance—			
Higher rate	51.10	55.60	60.10
Lower rate	16.00	19.00	22.00
Recreation Transport Allowance (a month)—			
Higher rate	25.00	32.00	32.00
Lower rate	12.50	16.00	16.00
Domestic Allowance	8.50	9.50	9.50

During 1972–73, the average number of ex-servicemen and their dependants in receipt of war pensions was 549,860; for 1973–74, the number is estimated to be 543,000, a decline of 1.2 per cent. The effect on expenditure of this estimated decline in numbers is more than offset by the full-year effects of increased rates of benefits introduced during 1972–73 and the increases in benefit rates announced in the Budget Speech.

The proposed changes in war pensions and allowances are estimated to cost \$20.2 million in 1973-74 and \$38.5 million in a full year. Details are set out in the following table:

	1973-74	Full Year
	\$ million	\$ million
Increase war pensions—		
Special rate—by \$4.50 a week in the Spring and Autumn ..	(a)5.0	(a)9.9
General rate—by \$3.00 a week in the Spring and Autumn ..	(b)12.1	(b)24.3
Intermediate rate—by \$2.25 a week in the Spring and Autumn ..	0.2	0.4
War widows—by \$1.50 a week in the Spring and Autumn ..	4.0	8.0
War orphans—		
Father dead—by \$1.90 a week	0.3	0.3
Both parents dead—by \$3.80 a week		
Widowed mothers—by \$4.00 a week		
Other dependants of certain deceased ex-servicemen—by \$4.00 a week	0.2	0.3
Eliminate special compensation allowance—by reductions of \$3.00 a week in the Spring and Autumn	-4.0	-7.9
Increase Fifth Schedule allowances (Items 7 to 15)—by various amounts	0.1	0.1
Increase attendants allowances—		
Higher rate—by \$4.50 a week	0.1	0.2
Lower rate—by \$2.50 a week		
Increase domestic allowance—by \$1.00 a week	1.9	2.6
Increase clothing allowances—by various amounts .. .. .	..	..
Increase recreation transport allowances—		
Higher rate—by \$7.00 a month	0.2	0.2
Lower rate—by \$3.50 a month		
Increase provision for gift cars—by \$84 a year .. .. .	..	..
	20.2	38.5

(a) Includes the cost of consequential increases in Fifth Schedule allowances (Items 1 to 6) and the higher rate of medical sustenance allowance.

(b) Includes the cost of consequential increases in the lower rate of medical sustenance allowance.

Service Pensions

Service pension is payable, subject to a means test similar to that applied to age and invalid pensions, to an ex-serviceman who served in a theatre of war and who has attained the age of 60 years or is permanently unemployable. It is payable to an ex-servicewoman who served in a theatre of war or embarked for service abroad and has attained the age of 55 years or is permanently unemployable. It may also be paid to an ex-serviceman or woman suffering from pulmonary tuberculosis, irrespective of the area of service.

A service pension is therefore a broad equivalent of an age or invalid pension. The advantages to the ex-serviceman are availability of the service pension five years earlier and of a wide range of medical treatment services in the repatriation system. Service pensioners are eligible for the same range of pensions and allowances as age pensioners and the rates of benefits are the same.

As announced in the Budget Speech, the means test on service pension eligibility for men and women aged 75 years and over is to be abolished from the Spring of 1973. For service pensioners of age pension age (65 years or more for men and 60 years or more for women) service pensions will be subject to tax but, as in the case of age pensions, special arrangements will be made to ensure that, generally, existing pensioners are not made worse off as a result.

During 1972-73, the average number of service pensioners (including wives) was 86,600 and for 1973-74 it is estimated to be 124,800, an increase of 38,200. Of the increase, about

20,000 is attributable to the proposed disregarding of 25 per cent of war pension for repatriation service pension means test purposes. The balance is due to the means test liberalisation announced in last year's budget, to the proposed abolition of the means test on service pension eligibility for men and women aged 75 years and over from the Spring of 1973 and to 'normal' growth.

The average amount of service pension (including additions for children and supplementary assistance) is estimated to rise from \$16.06 a week in 1972-73 to \$16.50 a week in 1973-74. The main reason for the small increase in the average is the estimated large number of pensioners under age 75 years who will become eligible for the first time, for small service pensions as a result of the proposed disregarding of 25 per cent of war pensions for service pension means test purposes.

The following table sets out the estimated expenditures in 1973-74 and in a full year resulting from decisions announced in the Budget Speech:

	1973-74	Full Year
	\$ million	\$ million
Increase of \$1.50 a week in the standard (or single) and married rates of pension in the Spring and Autumn	8.7	17.4
Disregard 25% of war pension for service pension means test purposes	5.6	7.5
Abolish the means test for men and women aged 75 years and over	8.5	11.3
Increase of \$0.50 a week in the additional pension for dependent children	0.1	0.2
	22.9	36.4

ASSISTANCE TO THE HANDICAPPED

Invalid Pensions and Allowances

Invalid pensions are payable, subject to a means test on income and property, to residually qualified persons not less than 16 years of age who are permanently incapacitated for work to the extent of at least 85 per cent or permanently blind. To be residually qualified a period of five years continuous residence in Australia is necessary unless the incapacity occurred outside Australia in which case the residence qualification is the same as for an age pension.

Invalid pensioners are eligible for the same additional payments as age pensioners and the rates of benefits are the same. In addition, wife's pension is payable to the wife of an invalid pensioner if she is not eligible for age, invalid or service pension in her own right.

During 1972-73, the average number of invalid pensioners (including women in receipt of wife's pension) was 161,300 and for 1973-74 it is estimated to be 172,500, an increase of 11,200.

The average amount of invalid pension (including additions for children and supplementary assistance) is estimated to rise from \$22.02 a week in 1972-73 to \$24.69 a week in 1973-74 mainly because of the proposed increases in benefit rates and the full-year effects of increased rates of benefit introduced during 1972-73.

The following table sets out the estimated cost in 1973-74 and in a full year of the measures announced in the Budget Speech:

	1973-74	Full Year
	\$ million	\$ million
Increases of \$1.50 a week in standard (or single) and married rates of pension in the Spring and Autumn	13.5	26.9
Increase of \$0.50 a week in the additional pension for dependent children	0.8	1.0
	14.2	27.9

Sheltered Employment Allowances and Facilities

Sheltered employment allowances are payable to disabled people who are qualified to receive an invalid pension or who would become so qualified if they ceased to be provided with sheltered employment. The allowance is subject to the same means test as applies to the invalid pension and the rates of benefit are the same.

Under the *Sheltered Employment (Assistance) Act* 1967-1970 the Australian Government provides grants to religious and charitable organisations and local governing bodies on a \$2 for \$1 basis towards the capital costs of sheltered workshops and associated facilities for handicapped people whose disabilities prevent them from engaging in normal employment or who can only enter normal employment after lengthy periods of adjustment and training under sheltered conditions. A \$2 for \$1 rental subsidy is also available for up to three years.

A subsidy of up to half of the salary of certain sheltered workshop and hostel staff engaged to provide special services such as expert supervision is also available. A training fee of \$500 is paid to eligible sheltered workshops for each former employee who, after completing more than six months sheltered employment, graduates to and retains normal employment for 12 months or more.

Expenditure under the *Sheltered Employment (Assistance) Act* 1967-1970 is estimated to increase from \$4.1 million in 1972-73 to \$4.5 million in 1973-74.

Handicapped Childrens Benefit and Facilities

The handicapped childrens benefit is payable to charitable and religious organisations conducting approved homes accommodating and caring for both physically and mentally handicapped children under 16 years of age. As announced in the Budget Speech, it is proposed to double the rate of benefit to \$3 a day for each child at an estimated cost of \$0.2 million in 1973-74 and \$0.5 million in a full year. Expenditure on the benefit is estimated to be \$0.7 million in 1973-74.

The *Handicapped Children (Assistance) Act* 1970 is designed to augment the efforts of the States and voluntary bodies in the field of assistance to the various kinds of handicapped children.

The Act provides for subsidies of \$2 for \$1 to be paid to religious and charitable organisations and local governing bodies towards the capital cost of premises and equipment used for the training and residential accommodation of handicapped children. 'Children' includes handicapped persons who, although over 21 years, have had continuous acceptance in the institution since childhood.

Expenditure under the Act is estimated to increase from \$1.8 million in 1972-73 to \$2.3 million in 1973-74.

Rehabilitation Service

The Commonwealth Rehabilitation Service is designed to restore disabled people to their fullest physical, mental, social and vocational usefulness.

Treatment and training are provided free to persons in the following categories if there is a reasonable prospect of their engaging in gainful employment:

- invalid pensioners,
- widow pensioners or recipients of supporting mothers benefit,
- recipients of unemployment, sickness or special benefit,
- national servicemen who are disabled at time of discharge but are ineligible for rehabilitation assistance from the Repatriation Department,
- persons receiving a tuberculosis allowance,
- persons who become disabled while working for the Australian Government and who are covered by the Compensation (Commonwealth Employees) Act, and
- boys and girls of 14 to 15 years who would otherwise be likely to qualify for an invalid pension at 16.

Expenditure (except that relating to the widows training scheme which is classified to 'Economic Services—Employment Conditions') in 1973-74 is estimated to be \$5.8 million compared to \$4.7 million in 1972-73.

ASSISTANCE TO WIDOWS AND SUPPORTING MOTHERS

Widows Pensions and Allowances

Pensions are payable to widows subject to a means test on income and property. No period of residence is necessary if a woman and her husband were residing permanently in Australia when she became a widow. In other cases, five years continuous residence immediately preceding lodgement of claim is necessary but this is waived in the case of a woman widowed overseas who returns to Australia provided she had resided continuously in Australia for ten years at any time. There are three classes of widows pension:

Class A—A widow with one or more dependent children in her care.

Class B—A widow without dependent children and at least 50 years of age or 45 years of age if her Class A pension ceased after she reached that age because she no longer had a dependent child in her care.

Class C—A widow without dependent children and in necessitous circumstances within 26 weeks of her husband's death.

For all classes, the term 'widow' includes a woman who was the common-law wife of a man for at least three years immediately before his death. For Classes A and B, it includes a wife who has been deserted for six months, a divorcee, a woman whose husband has been imprisoned for six months and a woman whose husband is in a mental hospital.

Widow pensioners are eligible for supplementary assistance, additional pension for dependent children and mothers allowance (in lieu of guardians allowance) at the same rates and subject to the same conditions as age and invalid pensioners.

During 1973-74, the average number of widow pensioners and the average rate of pension (including additions for children and supplementary assistance) are estimated to be 108,500 and \$30.89 a week. The comparable figures for 1972-73 are 98,200 and \$27.52 a week, respectively.

The following table sets out the estimated cost in 1973-74 and in a full year of the measures announced in the Budget Speech:

	1973-74	Full Year
	\$ million	\$ million
Increase of \$1.50 a week in the rate of pension in the Spring and Autumn	8.5	16.9
Increase of \$0.50 a week in the additional pension for dependent children	2.4	3.1
	10.8	20.1

Supporting Mothers Benefit and Allowances

On 14 June 1973 the Australian Government introduced the supporting mothers benefit for unmarried mothers and mothers who are deserted *de facto* wives, *de facto* wives of prisoners and separated wives. Payments commenced on 3 July 1973.

The benefit becomes payable six months after the date of the event which gives rise to eligibility (e.g. the birth of a child or separation) and it is payable at the same rate and subject to similar conditions as the Class A widows pension.

It is estimated that the average number of beneficiaries will be 23,000 in 1973-74. The estimated cost in 1973-74 and in a full year of the measures announced in the Budget Speech is set out in the following table:

	1973-74	Full Year
	\$ million	\$ million
Increase of \$1.50 a week in the rate of benefit in the Spring and Autumn	1.8	3.6
Increase of \$0.50 a week in the additional benefit for dependent children	0.6	0.8
	2.4	4.4

Other

Under the *States Grants (Deserted Wives) Act* 1968 the Australian Government, within limits, shares on a \$1 for \$1 basis with the States the cost of helping certain mothers of families without a breadwinner where the mothers are ineligible for a Class A widows pension or the supporting mothers benefit.

Assistance is provided during the first six months after the date of the event which gives rise to eligibility (e.g. the birth of a child or separation). The main groups of mothers assisted are deserted wives, deserting wives, wives of prisoners and unmarried mothers. After the first six months, these groups of mothers may qualify for either a Class A widows pension or a supporting mothers benefit.

Expenditure in 1973-74 is estimated to decline by \$3.4 million to \$6.3 million, mainly because of the introduction of the supporting mothers benefit.

ASSISTANCE TO FAMILIES

Child Endowment

Child endowment is payable, on a continuous basis, to people with children under 16 years of age or over 16 but under 21 years of age and receiving full-time education at a school, college or university and not in employment. There is no means test.

Endowment is usually paid to the mother and to be eligible for endowment she must reside, or intend to reside, permanently in Australia and have the care of one or more children. Special conditions apply if the person does not intend to reside permanently in Australia.

The rates of endowment are as follows:

	\$ per week
First child under 16 years	0.50
Second child under 16 years	1.00
Third child under 16 years	2.00
Other children under 16 years	(a)
Each student child 16 years and under 21 years	1.50

(a) Endowment for the fourth child under 16 years is \$2.25 a week, for the fifth child \$2.50 a week and so on.

During 1973-74 the average number of endowed children (including student children) is estimated to be 4,315,000, or 30,000 more than in 1972-73. There will be one less twelve-weekly bank payment of child endowment (\$27.0 million) in 1973-74 than in 1972-73.

Maternity Allowance

Maternity allowance is payable, as a lump sum, to mothers on the birth of children. There is no means test.

A woman is entitled to the allowance if she resides, or intends to reside, in Australia permanently and gives birth to a child here or on board a ship travelling to Australia. Special conditions apply to a woman who is not a British subject and who does not intend to reside in Australia permanently.

The rates of allowance are as follows:

					\$
No other children	..	..	..	..	30.00
1 or 2 other children	..	..	..	..	32.00
3 or more other children	..	..	..	..	35.00
Multiple births—additional payment for each additional					
child	..	..	..	..	10.00

During 1973–74 the number of grants is estimated to be 266,500, or 14,700 greater than in 1972–73.

Child Care

Under the *Child Care Act* 1972 the Australian Government provides financial assistance to non-profit organisations, including local governing bodies, to establish and operate centres which provide day care for children of working or sick parents and which give priority of admission to children in special need. Unmatched capital grants are payable to eligible organisations for the purchase, erection, extension or alteration of buildings (including land cost) for use as a child care centre. Recurrent grants are payable to encourage the employment of qualified staff and to enable the centres to offer reduced fees in respect of children from low income and other families in financial need. The Act also provides for grants to be made available to suitable bodies for research and evaluation of matters relating to child care.

The following table shows expenditure in 1972–73, the first year of operation, and anticipated expenditure in 1973–74:

	1972–73 Actual	1973–74 Estimate	Increase on 1972–73
	\$ million	\$ million	\$ million
Capital grants	—	7.2	7.2
Recurrent grants	0.2	0.9	0.7
Research and evaluation ..	..	0.2	0.2
	0.2	8.2	8.0

As from July 1974, the provisions of the *Child Care Act* 1972 will be integrated into an overall program of financial assistance for pre-schools and child care. This program will be the subject of a report and recommendations to the Australian Government by the Australian Pre-Schools Committee.

Other

This item includes grants to eligible marriage guidance organisations (estimated at \$0.8 million in 1973–74), grants to eligible family planning organisations (estimated at \$0.4 million in 1973–74) and expenditure on a proposed new benefit—orphans pension (estimated to cost \$0.8 million in 1973–74).

ASSISTANCE TO THE UNEMPLOYED AND SICK

Unemployment and Sickness Benefits

Unemployment and sickness benefits are available, subject to a means test on income, to people who are unemployed or to people who are temporarily incapacitated for work and have thereby lost income. A special benefit may be paid to a person ineligible for a pension or for an unemployment or sickness benefit if he is unable to earn a sufficient livelihood for himself and his dependants.

To be eligible for benefit, a person must be at least 16 years of age and under 60 (females) or under 65 years (males). He must also have lived in Australia for at least a year immediately prior to claiming benefit or intend to remain here permanently.

The rates of benefit are the same as for age and invalid pensions. Beneficiaries with dependent children are eligible for an additional benefit for each dependent child. After receiving benefit for six consecutive weeks sickness beneficiaries are also eligible, subject to a special means test, to receive supplementary allowance of up to \$4.00 a week if they pay rent. This allowance is not payable to beneficiaries in hospital who have no dependants.

The following table sets out the estimated cost in 1973-74 and in a full year of the measures announced in the Budget Speech:

	1973-74	Full Year
	\$ million	\$ million
Increase of \$1.50 a week in the single and married rates of benefit in the Spring and Autumn	4.5	9.1
Increase of \$0.50 a week in the additional benefit for dependent children	0.5	0.7
	5.0	9.7

Unemployment Relief Grants

Grants to the States for the relief of unemployment in non-metropolitan areas were introduced in December 1971 to reduce the level of unemployment in those areas. In December 1972 the Australian Government decided to continue the grants until June 1973. It also decided to make grants to the States, in the period January to June 1973, for the relief of unemployment in metropolitan areas.

On 26 June 1973 the Prime Minister announced that the Government would make further grants under the non-metropolitan relief scheme of \$5 million in July, \$4 million in August and \$3 million in September. Apart from special payments to assist the part-time employment of drought-affected farmers, monthly payments of \$6.1 million under the non-metropolitan scheme were made in the six months to June 1973. The Government is to re-assess the situation before the end of September 1973.

Tariff Adjustment Assistance

\$10 million has been allocated for additional measures that may be needed to assist employees displaced as a direct result of the Government's decision to reduce tariffs by 25 per cent with effect from 19 July 1973.

To ensure adequate incomes for those temporarily displaced by the tariff change for whom suitable alternative employment is not immediately available they may be paid their average weekly wage over the preceding six months until they obtain or are found suitable alternative employment.

Where special local unemployment problems arise special local unemployment relief grants will be made in a form similar to the metropolitan and non-metropolitan unemployment relief schemes.

To provide adequate incomes for those members of the work-force who become redundant in advance of normal retiring age and are unlikely to find suitable employment because of age, health or physical handicaps, provision will be made for early retirement benefits such as full superannuation entitlements, retirement grants and early retirement allowances.

Family counselling services will also be provided to minimise social problems for workers and families affected by the tariff changes.

OTHER WELFARE PROGRAMS

Emergency Assistance to Woolgrowers

A one-year scheme of emergency assistance was introduced in 1970-71 for woolgrowers whose incomes had fallen markedly in 1969-70. Assistance of \$21.3 million was provided in 1970-71 and there was a carry-over of expenditure of \$0.2 million into 1971-72.

Funeral Benefits

A funeral benefit of up to \$20 is payable to any person liable for the funeral costs of an age or invalid pensioner. A higher benefit of up to \$40 is payable to an age, invalid or widow pensioner liable for the funeral cost of a spouse, a child or another such pensioner. For these benefits, 'pensioner' means a person who would be or would have been entitled to a pension under the means test in operation prior to 27 September 1969.

Telephone Rental Concessions

A reduction of one-third in the basic annual rental for a telephone is available to pensioners and recipients of some other benefits who meet certain requirements, including, in most cases, a special means test on income and property. The special means test is that which was in operation prior to 27 September 1969.

Australian Assistance Plan

The Australian Government is to implement an Australian Assistance Plan designed to provide, on a regional basis, social planning structures to facilitate the co-ordinated development of welfare services in the community. The Plan will take time to develop and, in the meantime, a pilot program is being established. Regional Councils for Social Development, comprising representatives of the Australian, State and local governments, trade unions, employer groups, welfare consumer groups and non-government bodies concerned with social welfare, will be established at a total estimated cost of \$1.5 million in 1973-74. The Councils will also advise the Australian Government on the development of welfare services and on the allocation of grants and subsidies within their regions.

An additional amount of \$0.2 million is being provided to cover grants to regional bodies other than the pilot Regional Councils for Social Development and a further amount of \$20,000 will be provided to cover the cost of expert advice to regional bodies and for organising discussions on the Australian Assistance Plan.

ABORIGINAL ADVANCEMENT PROGRAMS NEC

This item includes expenditure on grants for Aboriginal business enterprises which is expected to increase by \$2 million in 1973-74. Also included are grants to the States, municipal authorities and Aboriginal Councils for the development of employment opportunities for Aborigines, grants to voluntary organisations (not elsewhere classified) and support for Aboriginal communities and individuals in the Northern Territory (not elsewhere classified).

In 1973-74 an amount of \$6.5 million is included for payment to municipal authorities and Aboriginal Councils for the development of special work projects for the employment of Aborigines. An amount of \$3.5 million was provided through grants to the States for this purpose in 1972-73. Grants to the States for the support of community development programs and for the provision of employment and training through Government departments and instrumentalities are estimated to increase by \$2.1 million to \$3.2 million in 1973-74.

GENERAL ADMINISTRATIVE AND OTHER EXPENDITURE

For 1973-74 this item comprises the general running and capital expenses of the Departments of Social Security (except those relating to health insurance where they are identifiable), Repatriation (except those relating to repatriation institutions) and Aboriginal Affairs and the National Commission on Social Welfare. In earlier years other Departments were responsible for some aspects of social security and welfare general administration and other expenditure.

5. HOUSING AND COMMUNITY AMENITIES NEC

Outlays for purposes encompassed within this function are estimated to total \$537.6 million in 1973-74. This estimate includes provision for some of the major initiatives of the Australian Government in urban and regional development, including financial assistance for new growth centres, sewerage, land commissions and metropolitan area improvement programs. Provision is made also for assistance to the States for welfare housing, for improvements in housing accommodation for Aborigines and for Defence Service Homes loans.

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Advances to States for Housing—					
Advances	141.6	(a)	(b)6.6	218.7	+212.1
Less Repayments	15.2	16.1	16.7	17.4	+ 0.7
Net advances	126.4	-16.1	-10.2	201.2	+211.4
Grants to States for Housing	—	4.0	6.8	6.8	—
Homes Savings Grants	15.2	17.4	21.3	27.4	+ 6.1
Defence Service Homes—					
Advances	61.0	65.0	74.3	102.0	+ 27.7
Less Repayment of Principal	43.4	48.0	61.5	62.8	+ 1.4
Net advances	17.6	17.0	12.9	39.2	+ 26.3
Other General Housing Expenditure—					
Commonwealth Hostels	3.0	0.3	0.4	0.5	+ 0.1
Other	2.0	2.8	2.3	2.6	+ 0.3
Total	5.0	3.1	2.8	3.2	+ 0.4
Housing in the Territories—					
Dwellings Built for Sale or Rental	12.4	15.6	18.9	25.4	+ 6.5
Other Gross Advances for Housing	20.7	24.5	20.4	25.9	+ 5.5
Less Repayment of Principal	5.5	8.5	11.6	12.7	+ 1.1
Net Outlay	27.6	31.6	27.7	38.6	+ 10.8
Housing for Aborigines	6.1	6.5	14.5	32.4	+ 18.0
General Administrative Expenditure	6.5	7.5	8.5	9.5	+ 1.0
Less Other Recoveries and Repayments	7.8	8.0	8.2	9.9	+ 1.7
Total Housing	196.5	62.9	75.9	348.3	+272.4
Community Amenities nec—					
Urban and Regional Development Assistance	—	—	—	33.0	+ 33.0
Metropolitan Area Improvement Programs	—	—	—	8.0	+ 8.0
Land Commissions	—	—	—	30.0	+ 30.0
Other Urban Development and Amenities	18.3	26.3	26.5	44.3	+ 17.8
Development of Aboriginal Community Amenities	0.4	1.1	3.9	10.8	+ 6.9
General Administrative Expenditure	7.2	6.5	10.5	15.9	+ 5.4
Total Community Amenities	25.8	33.8	40.9	142.0	+101.1

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Protection of Environment	0.3	0.4	0.7	1.8	+ 1.1
Sewerage and Sanitation— Sewerage and Garbage— Assistance to the States	—	—	—	30.0	+ 30.0
In the Territories	4.9	6.2	9.1	15.5	+ 6.3
Total	4.9	6.2	9.1	45.5	+ 36.3
TOTAL HOUSING AND COMMUNITY AMENITIES	227.5	103.2	126.7	537.6	+410.9

(a) The 1956-1966 Housing Agreement was not renewed on its expiry at the end of 1970-71. Instead, the Australian and State Governments agreed on arrangements under which housing allocations would be met, in the same way as other expenditures, by the States out of their approved Loan Council borrowing programs. Amounts totalling \$160 million were subsequently allocated by the States in 1971-72 for housing projects similar in nature to those to be covered by the 1973 Housing Agreement.

(b) Amounts totalling \$166.9 million were allocated by the States for housing projects similar in nature to those to be covered by the 1973 Housing Agreement. In addition, \$6.6 million was advanced to the States under the *Housing Assistance Act 1973*.

ADVANCES TO STATES FOR HOUSING

As agreed at the June 1973 Premiers' Conference, the Australian Government will enter into an Agreement with each State under which the States will receive advances, at low rates of interest, for welfare housing purposes during the five years 1973-74 to 1977-78.

The amount to be advanced to the States under this program in 1973-74 is \$218.7 million. The arrangements under the 1973 Housing Agreement are outlined in the document *Payments To or For the States 1973-74* published concurrently with the Budget Speech.

GRANTS TO STATES FOR HOUSING

The *States Grants (Housing) Act 1971-73* authorises the provision of housing assistance to the States by way of basic grants of \$2.75 million a year, payable for a period of 30 years in respect of their housing operations in each of the years 1971-72 and 1972-73. Payments in 1971-72 and 1972-73 were \$2.75 million and \$5.5 million respectively. A rental assistance grant of \$1.25 million a year is payable in the five year period 1971-72 to 1975-76 as a general contribution by the Australian Government towards the cost of reduced rents charged to needy families occupying housing authority dwellings.

HOME SAVINGS GRANTS

Under the *Homes Savings Grant Act 1965-1972*, a grant is payable to eligible persons who have accumulated savings, over a period of at least three years, towards the purchase of their first home. The Act was amended in September 1972 to increase the maximum grant to \$750 and to liberalise other conditions of the scheme. Largely as a result of the amendments expenditure on the scheme is expected to increase to \$27.4 million in 1973-74.

As announced in the Budget Speech, the Government intends to introduce a scheme of deductibility of mortgage interest to have effect from 1 July 1974 and in the light of that intention has decided to end the Home Savings Grant Scheme. Grants will continue to be paid on homes contracted to be bought or built, or to be commenced by an owner-builder, on or before 31 December 1976, by persons who have already commenced to save by 21 August 1973.

DEFENCE SERVICE HOMES

The Defence Service Homes Act was amended in May 1973 to increase the maximum loan from \$9,000 to \$12,000 and to extend the benefits available under the Act to:

- (i) unmarried women with qualifying service under the Act;
- (ii) accredited representatives of welfare organisations with qualifying service; and
- (iii) serving members of the Forces who complete a specified period of service.

Reflecting these amendments expenditure on advances under the Act is expected to increase to \$102.0 million in 1973-74.

HOUSING IN THE TERRITORIES

Expenditure under this item covers the construction of new houses and flats in the Australian Capital Territory and Northern Territory and advances made to individuals for home construction.

Of the \$25.4 million provided for dwelling construction in 1973-74, \$16.0 million will be allocated to the Australian Capital Territory and \$9.4 million to the Northern Territory.

The Government has decided to cease providing advances to ACT permanent building societies for on-lending on first mortgages; \$1.1 million is to be provided in 1973-74 to enable permanent building societies to honour outstanding loan commitments as at 30 June 1973.

In 1973-74, \$18.8 million will be provided for first mortgage lending by the ACT Commissioner for Housing, an increase of \$14.9 million on expenditure for 1972-73. The increase includes provision for the new maximum loan limit of \$12,000.

An amount of \$2.5 million will be provided in 1973-74 for the Northern Territory Housing Commission, a decrease of \$0.3 million over expenditure for 1972-73.

HOUSING FOR ABORIGINALS

The main items covered under this heading are grants to the States and to Aboriginal housing associations for the construction and purchase of houses for Aboriginal families.

In 1973-74 a total of \$17 million will be made available by way of grants to various Aboriginal housing associations and \$13 million by way of payments to the States. Expenditure on the provision of hostel accommodation will be increased to \$2 million in 1973-74.

GENERAL ADMINISTRATIVE EXPENDITURE

The operating costs of the Department of Housing are expected to total \$9.5 million in 1973-74, an increase of \$1 million compared with 1972-73 which reflects staff increases and the full-year cost of salary increases awarded in 1972-73.

OTHER RECOVERIES AND REPAYMENTS

Increased rental income in the Australian Capital Territory (\$1.4 million) and the Northern Territory (\$0.3 million) accounts for the increase of \$1.7 million expected in 1973-74. Of the estimated \$1.4 million increase in the Australian Capital Territory, \$1.2 million is attributable to the adoption of fully economic rent levels with effect from about 1 November 1973. The estimated increase of \$0.3 million in the Northern Territory arises from an increase in the number of residences occupied and the decision to raise the maximum rent payable by public servants from \$15 to \$25 per week.

COMMUNITY AMENITIES NEC

This heading brings together some of the major new initiatives of the Australian Government in urban and regional development. The Government has stated that it will involve itself directly in the cities to improve their facilities and the quality of life of those who live in them. The initiatives provided for in this Budget should be seen as a first step in a major new direction of policy at the national level. They include financial assistance for new growth centres, sewerage, land commissions, metropolitan area improvement programs, national parks and the national estate, and urban public transport programs. (The Government's initiative in the latter field is discussed under 'Transport and Communication' in the function

'Economic Services', while national parks and the national estate are classified to the function 'Culture and Recreation'.) The budget estimates also include provisions for the newly established Department of Urban and Regional Development and the Cities Commission.

Further details of expenditure under this heading are provided below.

Urban and Regional Development Assistance

The budget makes provision for \$33.0 million in 1973-74 to establish new growth centres as recommended by the Cities Commission, including the proposed new centre at Albury/Wodonga towards which substantial progress has been made already following the joint announcement of the Australian, New South Wales and Victorian Governments on 25 January 1973 to co-operate in the development of that major new centre. The assistance to be provided in 1973-74 should be seen as the first step in continuing programs to ensure the accelerated growth of these centres and for other urban and regional development initiatives. During this first year of development of the new growth centres expenditures will be chiefly for land acquisition and development.

Metropolitan Area Improvement Programs

An amount of \$8.0 million is included in the budget for improvement programs in the Western Sectors of Sydney and Melbourne in 1973-74, of which \$5.0 million is for Sydney and \$3.0 million for Melbourne.

These expenditures will finance such purposes as administrative, technical and planning assistance, housing and community demonstration projects, tree planting and other environmental improvement programs aimed at improving the quality of urban life and facilities in these two heavily populated areas.

Land Commissions

An important element of the Australian Government's policy of involvement in the problems of our cities is to encourage the establishment and operation by the States of Land Commissions, the objectives of which are the provision of land to families at fair prices as well as the acquisition of lands required for public purposes in growth areas. The establishment and operation of State Land Commissions, together with the introduction of land price stabilisation legislation, for use in appropriate circumstances, will be an important step towards co-ordinating urban development.

An amount of \$30.0 million has been provided for acquisition of land during 1973-74. Acquisition programs will be carried out under interim arrangements prior to the establishment of State Land Commissions. When a State establishes a Land Commission it is expected that it will be a vehicle for land acquisition in growth areas as well as a land-holder in regional cities and systems cities. Land Commissions may also acquire land for national parks and the national estate.

Other Urban Development and Amenities

The expected increase of \$17.8 million is due to increases in estimated expenditures on land acquisition and development in the Australian Capital Territory and the Northern Territory of \$9.0 million and \$8.8 million, respectively.

Development of Aboriginal Community Amenities

The estimated increase of \$6.9 million shown for this item is to finance accelerated programs of land purchase, water supply, sewerage and other facilities for Aboriginal communities. Expenditure on land purchases is expected to increase by \$3.5 million and expenditure on the provision and improvement of facilities by \$3.4 million, both by way of grants to the States and to non-government bodies, and by direct expenditure by the Australian Government.

GENERAL ADMINISTRATIVE EXPENDITURE

This item includes the administrative expenditure of the Department of Urban and Regional Development and the Cities Commission. The Department, which was established in December 1972, is intended to play a major policy role in the formulation, co-ordination

and execution of the Australian Government's urban and regional policies. The Department's staff is expected to continue to grow through 1973-74 and \$2.3 million has been provided for salaries and administrative services.

The Cities Commission is intended to play an increasingly important role in the provision of technical advice and assistance and in practical co-operation with the States in the new cities and related initiatives. A provision of \$4.5 million has been made for expenditure by the Cities Commission in 1973-74. This includes an amount of \$2.7 million for technical activities of the Cities Commission in relation to the new growth centres policies.

PROTECTION OF ENVIRONMENT

The Australian Government is associated with a wide range of activities in the field of environmental protection and conservation, ranging from environment studies to support for national and international organisations. The Government has decided to contribute \$0.15 million in 1973-74, on a matching basis with the States, towards the establishment of an Australian Environment Council Fund. The Fund will enable the Australian Environment Council to commission selected studies into environmental problems.

SEWERAGE AND SANITATION

The estimates include \$30.0 million which the Australian Government is offering to the States in 1973-74 as a first contribution under a program to eliminate the backlog of unsewered premises in major urban areas. Further details of this assistance are contained in the publication *Payments To or For the States, 1973-74*.

Most of the increase of \$6.3 million shown in the estimate for the Territories is for the construction of major sewers to serve Canberra's new areas and for new sewerage systems to serve Tennant Creek, Katherine and the central area of Darwin.

6. CULTURE AND RECREATION

The 1973-74 Budget provides for an increase of \$46.4 million, or more than 40 per cent, in outlays on a wide range of cultural and recreational activities. This increase reflects both new initiatives by the Government and an acceleration in the rate of growth in expenditure on ongoing activities.

Details of outlays on culture and recreation since 1970-71, including estimated outlays in 1973-74, are provided in the following table and associated commentary:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Broadcasting Services	72.1	81.9	89.0	109.4	+20.4
Australian Broadcasting Control Board	2.0	2.4	2.5	2.9	+ 0.4
Libraries	4.5	5.1	5.9	7.9	+ 1.9
Australian National Gallery and Collection	0.3	0.4	1.2	4.7	+ 3.5
Assistance to the Arts	5.0	5.1	8.1	16.1	+ 8.0
War Memorials	0.8	0.5	0.5	0.6	+ 0.1
Archives	0.7	2.6	2.4	3.0	+ 0.6
Recreational and Sporting Facilities ..	0.5	0.5	0.7	6.2	+ 5.5
Cultural Organisations .. ..	..	..	0.1	0.1	..
Wildlife and National Parks .. ..	..	..	0.1	0.8	+ 0.7
National Estate	—	—	—	2.6	+ 2.6
Cultural and Recreational Activities in the Territories nec	5.9	5.9	6.7	9.2	+ 2.6
Less Recoveries	0.6	0.6	0.7	0.6	- 0.1
TOTAL CULTURE AND RECREATION	91.2	103.8	116.5	162.8	+46.4

Broadcasting Services

The Australian Broadcasting Commission broadcasts radio and television programs through more than 130 stations. Outlays on these services in 1973-74 are estimated at \$109.4 million, an increase of \$20.4 million on 1972-73. The Commission aims to effect improvements in the quality of programs and to increase the Australian content of programs on television and radio. The increase will also allow extension of services to people in isolated areas and the continuation of preparations for the introduction of colour television in Australia (scheduled for March 1975).

Australian Broadcasting Control Board

The Broadcasting Control Board is responsible for the regulation and control of commercial radio and television broadcasting services and for planning the development of radio and television broadcasting services generally.

Libraries

Included under this heading are expenditures on the National Library of Australia, the Canberra Public Library Service and library services provided in the Northern Territory. Total outlays are expected to increase by \$1.9 million in 1973-74, mainly because of higher running costs of the National Library and the cost of extending and equipping a section of the Library building. An amount of \$0.1 million is also being provided in 1973-74 to enable the National Library to begin implementing the recommendations made by the Scientific and Technological Information Services Enquiry Committee in its Report of May 1973.

Australian National Gallery and Collection

The allocation for the acquisition of works for, and conservation of, the National Collection has been increased to \$4 million in 1973-74. Estimated expenditure in 1973-74 also makes provision for the commencement of construction of the first stage of the National Gallery.

Assistance to the Arts

Under its new structure introduced in 1973, the Australian Council for the Arts administers programs of support for the arts through Boards responsible for theatre, music, literature, film and television, Aboriginal arts, crafts and visual arts. The amount provided for the Council's programs in 1973-74 is \$14.0 million, more than double the 1972-73 level of expenditure. The 1973-74 allocation includes support for alternative theatre styles, assistance to artists, a wide range of new music programs and increased assistance to literature, film and television, crafts and traditional and contemporary Aboriginal arts. Included also is an amount of \$1.0 million to be paid to the Australian Film Development Corporation in 1973-74 to encourage the production and distribution of Australian films.

Recreational and Sporting Facilities

The Australian Government has initiated a series of programs to encourage and facilitate community recreational activities. Expenditure on these programs in 1973-74 is estimated at \$6.2 million, compared with only \$0.7 million in 1972-73. An amount of \$3.4 million is to be provided to assist the development of community recreation complexes, and a further \$1.0 million for assistance to national sporting organisations. Provision is made also to increase grants to the National Fitness Council and to youth organisations by \$0.4 million and \$0.2 million, respectively.

Wildlife and National Parks

An amount of \$0.1 million is included in the 1973-74 estimates for the establishment of an Australian National Parks and Wildlife Service. A further amount of \$0.5 million is included for the acquisition of land for national parks and reserves in the States.

National Estate

As announced in the Budget Speech, \$2.5 million is being provided in 1973-74 to enable a start to be made on implementing the Government's policies for the preservation and enhancement of the national estate.

Cultural and Recreational Activities in the Territories nec

Included here is a range of mainly 'State' and municipal-type expenditures relating to such activities as construction and maintenance of parks and gardens, halls, swimming pools and theatres, together with assistance to cultural organisations in the Territories. Expenditure on these activities is estimated at \$9.2 million in 1973-74, \$2.6 million more than in 1972-73.

7. IMMIGRATION

The annual immigration program has reflected, among other things, successive Governments' assessment of the need for workers in Australia, the availability of suitable migrants in source countries and Australia's capacity to absorb those migrants.

The proposed migration program for 1973-74 is 110,000 settlers, the same as the revised 1972-73 program. The number of assisted migrants is, however, expected to increase from 57,000 to 60,000 in 1973-74.

Government outlays on immigration are estimated to total \$51.6 million in 1973-74. This covers embarkation and passage costs and the provision of accommodation for some assisted passage arrivals, specific education and other settlement and citizenship programs, and the administration of these programs. Details are set out in the following table:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Embarkation and Passage Costs ..	40.1	30.0	18.7	20.1	+1.5
Migrant Accommodation	13.3	7.8	5.8	5.5	-0.3
Migrant Education	2.0	3.0	3.1	4.9	+1.9
General Administrative and Other Expenditure—					
Department of Immigration—					
Australia	12.7	13.2	13.6	15.3	+1.7
Overseas	7.7	7.6	7.2	7.3	..
Grants to Migrant Affairs Organ- isations	0.6	0.8	0.9	1.1	+0.2
Total	21.0	21.6	21.8	23.7	+1.9
Less Recoveries and Repayments—					
Embarkation and Passage Costs ..	1.5	1.7	1.3	2.3	+0.9
Other	1.0	0.8	0.4	0.4	..
Total	2.5	2.5	1.8	2.7	+0.9
TOTAL IMMIGRATION ..	73.9	59.9	47.6	51.6	+4.0

Embarkation and Passage Costs

Subject to a contribution by the migrant, the Australian Government pays the passage and associated costs of assisted migrants from their place of residence or point of embarkation overseas to the place of initial residence in Australia. Expenditure for this purpose in 1973-74 is estimated to increase by \$1.5 million, reflecting an expected increase from 57,000 to 60,000 in the number of assisted passage migrants.

Migrant Accommodation

The Australian Government has accepted a responsibility to provide temporary accommodation for some assisted passage migrants on their arrival in Australia. Accommodation is available either in hostels operated by Commonwealth Hostels Ltd or voluntary organisations in the case of single women, in self-contained Government-owned flats, or in private accommodation in country areas. Migrants are required to contribute towards the cost of this accommodation but a substantial proportion of the total cost is met by the Government. The Government also contributes on a \$ for \$ basis to the establishment of State Government migrant reception centres.

Total expenditure on migrant accommodation is estimated to fall by \$0.3 million in 1973-74 to \$5.5 million, due mainly to a reduction in the subsidy payable to Commonwealth Hostels Ltd and lower expenditure on the construction of flats.

Migrant Education

As part of the settlement and citizenship program, education in the English language and the Australian life-style is provided to adult migrants in the form of pre-embarkation and shipboard instruction, and correspondence, continuation, accelerated and intensive courses. Expenditure, including salary and associated costs for teachers, administrative costs and living allowances for some students is estimated at \$4.9 million in 1973-74. This increase of \$1.9 million on expenditure in 1972-73 reflects increased activity, particularly in accelerated courses, and increased salary costs.

Assistance is also provided by the Australian Government for special education programs in schools aimed at assisting migrant children to join fully in normal classes. Expenditures on this activity are recorded in the function 'Education'.

General Administrative and other Expenditure

Administration costs are estimated to increase by \$1.7 million to \$22.6 million in 1973-74. Salary costs account for \$1.2 million of this increase and reflect higher staff numbers and higher salary levels resulting from award variations.

Assistance to Good Neighbour Councils and other voluntary organisations involved in settlement and citizenship activities is estimated to increase by \$0.2 million to \$1.1 million in 1973-74.

Recoveries and Repayments

The contribution to be paid by assisted migrants has been increased from \$25 for each person nineteen years and over to \$75 for a single person aged eighteen years and over, a married couple or a family group, with effect from 1 July 1973. The higher migrant contribution to passage costs and the larger program of assisted migration are estimated to lead to an increase of \$0.9 million in recoveries in 1973-74.

8. ECONOMIC SERVICES

This function brings together the various services and categories of assistance provided by the Australian Government to industry and the community generally. It embraces both the provision of economic infrastructure and more direct forms of participation in economic activity.

A. TRANSPORT AND COMMUNICATION

The Australian Government is heavily involved in providing services in this field. Total outlays on transport and communication are estimated to increase by \$128.8 million in 1973-74, to \$879.5 million.

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Communication—					
Post Office	247.0	270.0	288.0	320.0	+32.0
Wireless Telegraphy Services ..	1.3	1.7	1.9	2.4	+ 0.5
Total Communication ..	248.3	271.7	289.9	322.4	+32.5
Air Transport—					
Advance to Qantas	30.0	74.2	42.6	11.1	—31.5
Less Repayments	19.8	23.7	24.4	21.0	— 3.4
Net Advance	10.2	50.5	18.3	— 9.9	—28.1
Advance to Australian National Air- lines Commission	17.1	10.3	13.1	6.5	— 6.6
Less Repayments	7.8	8.8	13.2	5.8	— 7.5
Net Advance	9.3	1.5	— 0.2	0.7	+ 0.9
Provision of Civil Aviation Services—					
Administrative and operational ..	75.1	89.0	102.7	112.9	+10.2
Buildings, Works and Equipment ..	53.1	41.4	24.6	25.7	+ 1.1
Air Services Subsidy	2.0	1.9	2.0	2.0	..
Other	2.3	2.2	1.7	3.1	+ 1.4
Less Recoveries—					
Air Navigation Charges	20.2	22.7	27.2	31.6	+ 4.4
Other	7.0	10.3	10.7	47.7	+36.9
Total	105.3	101.5	93.2	64.5	—28.7
Total Air Transport	124.8	153.4	111.3	55.3	—56.0
Road Transport—					
Commonwealth Aid Roads Grants	218.0	245.3	279.0	316.8	+37.8
Safety Improvements to Roads ..	—	—	—	3.0	+ 3.0
Beef Cattle Roads	14.6	13.5	10.9	7.6	— 3.3
Less Repayments	0.6	0.6	0.6	0.6	—
Net Outlay	14.0	13.0	10.3	7.0	— 3.3

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Road Construction and Main- tenance—					
In the Territories	14.6	14.2	19.8	23.7	+ 3.9
Other	0.3	0.3	0.9	0.9	+ 0.1
Public Transport Equipment in the Territories	2.2	2.5	2.2	4.4	+ 2.2
Research and Investigations	0.8	0.9	1.3	1.4	+ 0.1
Total Road Transport	249.8	276.1	313.5	357.3	+43.7
Rail Transport—					
Commonwealth Railways Capital Works and Services	14.5	17.4	11.4	14.7	+ 3.2
Rail Projects in the States—					
New South Wales	1.0	1.0	0.4	0.3	— 0.1
Western Australia	5.2	2.0	1.3	0.5	— 0.7
South Australia	1.4	..	0.1	0.3	+ 0.2
Tasmania	—	3.1	1.2	—	— 1.2
Total	7.6	6.1	3.0	1.1	— 1.9
Less Repayments	3.2	3.6	3.8	4.0	+ 0.2
Total Rail Transport	18.9	19.9	10.6	11.8	+ 1.2
Urban Public Transport Improvement	—	—	—	32.1	+32.1
Shipping and Harbours—					
Australian Coastal Shipping Com- mission	2.0	6.0	6.5	7.0	+ 0.5
King Island Harbour Development	—	—	1.1	..	— 1.1
WA Shipping Service	—	—	2.5	1.0	— 1.5
Other	3.0	2.6	3.9	4.8	+ 0.9
Less Repayments	4.0	0.8	0.7	9.7	+ 9.0
Total	1.0	7.9	13.3	3.2	—10.1
Pipelines—					
Advance to SA for Natural Gas Pipeline	2.3	1.8	—	—	—
Less Repayments	—	—	1.9	1.9	—
Pipeline Authority Project	—	—	10.4	96.6	+86.2
Total	2.3	1.8	8.5	94.7	+86.2
General Administrative and Other Expenditure	8.1	10.7	13.0	15.0	+ 2.0
Less Other Recoveries	6.9	7.7	9.3	12.1	+ 2.8
TOTAL TRANSPORT AND COMMUNICATION	646.3	733.8	750.7	879.5	+128.8

COMMUNICATION

Post Office

The Post Office undertakes a large capital program to meet the demand for new and improved services, particularly in the field of telecommunications. That program, which is estimated to exceed \$500 million in 1973-74, is financed partly from Post Office internal resources (mainly from depreciation provisions and any trading surplus), and partly by interest-bearing advances from the budget.

Outlays shown in the table represent advances from the budget to the capital program of the Post Office; advances in 1973-74 are estimated at \$320 million, compared with \$288 million in 1972-73. The operational expenditure of the Post Office—estimated at about \$1,000 million in 1973-74—is financed by the Post Office from its own revenue and, therefore, does not involve any direct call on the budget.

AIR TRANSPORT

Advances by the Australian Government to Qantas Airways Limited and the Australian National Airlines Commission mainly represent the passing on of proceeds of loans raised by the Government on behalf of the airlines to assist in the financing of aircraft. Amounts repaid by the airlines in respect of past loans are in turn repaid to the lenders. Advances also include new capital provided to the airlines from time to time; in 1972-73 new capital of \$25 million was paid to Qantas but no such provision has been made for 1973-74.

The Department of Civil Aviation carries out many services for the civil aviation industry, including the operation and maintenance of over 100 airports and of a wide range of navigation facilities throughout Australia. Outlays on these services in 1973-74 are estimated to increase by \$10.2 million, to \$112.9 million.

For many years the Australian Government has paid air services subsidies in respect of 'essential' rural services to country areas and of 'developmental' services to outback areas. An amount of \$2.0 million is included in the budget for these services in 1973-74. As announced in the Budget Speech, however, subsidies for 'essential' rural services will cease on 30 June 1974 and the developmental services subsidy will be phased out over the next four years.

During 1973-74 the Government of Papua New Guinea is expected to assume responsibility for civil aviation matters in that country, and for that purpose would take over various assets of the Department of Civil Aviation. The Department will continue to provide certain services and to carry out air safety functions on an agency basis. The expected increase of \$36.9 million in 'other recoveries' in 1973-74 is attributable largely to receipts associated with the transfer of those assets and payments for the services to be performed after the change over.

As announced in the Budget Speech, the Government has decided to move to increase the rate of recovery of the costs of civil aviation to 80 per cent within five years. Air navigation charges to airlines are to be increased from 1 December 1973 by 10 per cent, the maximum increase allowable under the existing Airlines Agreements with the two major domestic airlines. Charges to general aviation will be increased by substantially more than 10 per cent. These increases are estimated to yield additional revenue of approximately \$1.8 million in 1973-74. It is proposed to renegotiate the Airlines Agreements to remove the existing constraints on rates of increases in air navigation charges and aviation fuel taxes.

It has been decided also to adopt a policy of recovering the full cost of airport terminals from occupants. This policy will be implemented in respect of future terminals, and existing terminals as present lease agreements expire.

ROAD TRANSPORT

Under the *Commonwealth Aid Roads Act* 1969, the Australian Government is providing grants to the States for roads totalling \$1,252 million over the five-year period ending 1973-74; provision is made for the balance of the program—\$316.8 million—in this year's estimates.

To assist the States to effect traffic management improvements at locations with poor accident records the Government is providing grants to the States totalling \$3 million in 1973-74.

The Australian Government has for a number of years made available specific grants and loans for the construction and improvement of certain roads used for the transport of beef cattle. The construction of these roads is aimed particularly at increasing the turn-off of beef cattle for export. An amount of \$7.6 million is included in the budget for these purposes in 1973-74, of which \$5.4 million is for roads in the States and the balance for roads in the Northern Territory.

Expenditure in 1973-74 includes \$9.3 million for roads in the Australian Capital Territory and \$13.1 million for roads and highways in the Northern Territory. Additional amounts of \$3.1 million are included for the operation of the City Omnibus Service and Government car fleet in the Australian Capital Territory, together with \$1.3 million for the Central Transport Pool of the Department of the Northern Territory.

RAIL TRANSPORT

An amount of \$14.7 million is included in the estimates to finance the capital works and services program of the Commonwealth Railways. This sum includes almost \$9 million for the Trans-Australia railway and \$2.3 million for the North Australia railway. It also includes provision of \$2.5 million for the proposed Tarcoola-Alice Springs railway, the construction of which is subject to agreement with the South Australian Government and passage of the necessary legislation.

Financial assistance has been provided to the States for expenditure on various railway projects since 1951-52. Currently, assistance is being provided for completion of work on the standard gauge line between Port Pirie and Broken Hill, and for work on the final stage of the standard gauge line from Kwinana to Kalgoorlie in Western Australia.

URBAN PUBLIC TRANSPORT IMPROVEMENT

As part of its broad initiative to improve living conditions in cities (see section on 'Housing and Community Amenities nec'), the Government is extending \$32.1 million to the States in 1973-74 to upgrade urban public transport systems. Under this program the Australian Government will provide finance for two-thirds of the costs of approved projects.

SHIPPING AND HARBOURS

The estimates include provision for a loan of \$7.0 million to the Australian Coastal Shipping Commission in 1973-74 to finance capital expenditure by the Commission.

'Other' outlays of \$4.8 million in 1973-74 include \$3 million for capital expenditure, mainly by the Department of Transport on vessels and navigational aids and facilities, and a subsidy of \$1.0 million for the 'Empress of Australia' passenger service between Tasmania and the mainland. This subsidy is to be reviewed in three years.

Repayments of \$9 million by the Australian Coastal Shipping Commission in respect of earlier loans account for most of the repayments of \$9.7 million estimated for 1973-74.

PIPELINES

The Government has established the Pipeline Authority to provide and operate pipelines for the carriage of petroleum. An advance to the Authority of \$107.0 million is to be made in 1973-74. This will enable the Authority to pay \$10.4 million to the Department of Minerals and Energy in respect of pipes purchased on the Authority's behalf by the Department in 1972-73 for the Gidgealpa pipeline and provide for further expenditure of \$96.6 million on that pipeline in 1973-74.

GENERAL ADMINISTRATIVE AND OTHER EXPENDITURE

An amount of \$15.0 million is provided in 1973-74 for the running expenses of the Department of Transport, including \$9.3 million for wages and salaries.

RECOVERIES

Light dues, which are estimated to yield \$10.1 million in 1973-74, are the major source of recoveries under this head. As announced in the Budget Speech these dues, which are charges on commercial shipping for the use of marine navigational aids provided by the Australian Government, are to be increased by 6 cents to 31 cents per net registered ton per quarter from 1 October 1973.

Recoveries in 1973-74 will also include the proceeds of the sale of marine navigation aids in Papua New Guinea to the Papua New Guinea Government (\$1.3 million) and recoveries from that Government in respect of expenditure incurred by the Department of Transport on the maintenance of navigational aids in the Territory.

B. WATER SUPPLY AND ELECTRICITY

As shown in the following table, outlays from the budget on water supply and electricity projects are estimated to total \$55.8 million in 1973-74, an increase of \$18.5 million compared with 1972-73.

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Urban Water Supply	7.5	8.6	6.4	8.8	+ 2.3
Snowy Mountains Scheme	30.7	19.7	14.2	13.1	- 1.1
Tasmanian Hydro-electric Scheme ..	3.2	2.5	—	—	—
Gladstone Power Station	—	—	14.0	33.8	+19.8
Electricity Supply in the Territories ..	5.7	3.7	7.0	7.8	+ 0.8
Less Repayments	3.3	3.7	4.3	7.6	+ 3.3
TOTAL WATER SUPPLY AND ELECTRICITY ..	43.8	30.9	37.2	55.8	+18.5

Snowy Mountains Scheme

The diminishing level of outlays on the Snowy Mountains Scheme over recent years reflects progress towards completion of the Scheme. The proposed payment of \$13.1 million to the Authority in 1973-74 comprises \$9.4 million for its capital works and an amount of \$3.7 million for a once-only payment by the Authority to the River Murray Commission, reimbursing half of the cost of increasing the capacity of the Hume Weir to cater for the diversion of the Snowy River to the River Murray.

Gladstone Power Station

The Australian Government is providing financial assistance to the Queensland Government, by way of loans, to help finance the construction of a thermal power station at Gladstone in central Queensland. Assistance provided by the Australian Government for the project is proportionate to the total cost of the power station in the ratio of 80 to 155. An initial amount of \$14 million was paid to the State in 1972-73 and it is estimated that a further \$33.8 million will be made available in 1973-74.

Repayments

Most of the increase of \$3.3 million in 1973-74 is attributable to principal repayments due from Tasmania in respect of hydro-electric power development assistance.

C. INDUSTRY ASSISTANCE

The Australian Government assists industry through a variety of measures, including direct financial assistance, taxation concessions, guaranteed home price arrangements, financial guarantees and the customs tariff.

Direct assistance provided to industry from the budget is estimated at \$515.0 million in 1973-74, an increase of \$71.9 million compared with actual outlays shown for 1972-73. This comparison is affected by the fact that the 1972-73 figures are net of repayments by the Australian Wool Commission and the Australian Wheat Board of advances totalling \$77.2 million; such transactions do not recur in 1973-74.

Direct industry assistance takes the form of bounties and subsidies, reconstruction schemes, contributions to research and promotion programs, and other payments to or for the benefit of industry. It includes also some outlays by government departments and instrumentalities (e.g. Department of Overseas Trade, Bureau of Agricultural Economics and the Australian Tourist Commission); such organisations provide many services either free of charge or at prices which do not recover fully the costs incurred.

Apart from these direct outlays from the budget, substantial additional assistance has been, as noted above, provided through the budget by way of special taxation concessions which, as they result in a reduction of Government revenues, are as much a call on the budget as direct outlays. The amount of revenue forgone in 1972-73 through the main taxation concessions for which data are available is estimated to have been \$289 million. Further information relating to these taxation concessions is provided at the end of the commentary on this sub-function.

Outlays under some other functional headings in this Statement also assist industry. Examples include the provision of airports and airway facilities for the aviation industry, some specific purpose payments to the States (e.g. for beef roads), expenditure to improve the defence capacity of industry and part of the payment to CSIRO.

Outlays for direct industry assistance in recent years, together with estimates for 1973-74, are shown in the following table and discussed in the related brief commentary.

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Forestry and Fishing Industries—					
Softwood Forestry Development ..	4.8	0.4	9.5	5.5	- 4.0
Forestry and Timber Bureau ..	1.6	1.8	2.1	2.4	+ 0.3
Research, Promotion and Other Expenditures	1.2	1.6	1.8	3.1	+ 1.3
Total Forestry and Fishing Industries	7.5	3.8	13.3	11.0	- 2.3
Agricultural and Pastoral Industries—					
Specific Industries—					
Wool Industry—					
Wool Commission and Wool Corporation	13.3	—	- 11.7	—	+ 11.7
Deficiency Payments	—	52.8	- 1.5	0.1	+ 1.5
Wool Marketing Assistance ..	2.9	4.1	2.5	0.6	- 1.9
Research, Promotion and Other Expenditure	34.2	34.2	36.3	43.6	+ 7.3
Total	50.4	91.1	25.7	44.2	+ 18.5

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Wheat Industry—					
Advance to Wheat Board ..	190.0	86.0	—	—	—
Less Repayments	255.3	139.2	65.5	—	- 65.5
Stabilization Payments ..	29.0	58.4	41.4	16.0	- 25.4
Research	1.8	1.5	1.6	1.6	..
Total	- 34.6	6.7	- 22.5	17.6	+ 40.1
Dairy Industry—					
Butter and Cheese Bounties ..	41.5	39.9	28.5	18.0	- 10.5
Processed Milk Products Bounty	2.7	2.1	0.9	0.8	- 0.1
Marginal Dairy Farms Recon- struction	3.1	7.6	2.9	3.1	+ 0.2
Research, Promotion and Other Expenditures	2.6	2.5	2.5	2.8	+ 0.3
Total	50.0	52.1	34.8	24.7	- 10.1
Fruit Industry—					
Apple and Pear Stabilization ..	—	2.6	3.1	2.6	- 0.5
Dried Vine Fruits Stabilization	1.2	0.3	0.9	0.1	- 0.8
Canned Fruits Assistance ..	6.2	0.2	1.9	—	- 1.9
Fruitgrowing Industry Recon- struction	—	—	0.4	2.0	+ 1.6
Research, Promotion and Other Expenditures	1.5	1.3	2.3	3.4	+ 1.1
Total	8.8	4.4	8.6	8.1	- 0.5
Poultry Industry—Stabilization and Research	12.7	13.5	14.0	11.9	- 2.1
Cattle, Sheep and Pig Meat Industry—					
Eradication of Cattle Diseases and Parasites	1.8	2.9	4.5	5.8	+ 1.4
Research, Promotion and Other Expenditures	4.1	5.3	6.1	6.7	+ 0.6
Total	5.9	8.2	10.5	12.5	+ 2.0
Other	4.6	2.6	1.9	2.0	+ 0.1
Less Recoveries and Repayments	2.5	3.0	4.2	4.8	+ 0.6
Total Specific Agricultural and Pastoral Industries ..	95.4	175.5	68.8	116.2	+ 47.4

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Expenditure Not Allocated to Specific Agricultural and Pastoral Industries—					
Advance to Commonwealth De- velopment Bank for Rural Lending	—	10.0	—	20.0	+ 20.0
Rural Reconstruction	4.0	40.0	50.8	47.2	- 3.6
Adjustment Assistance for Cur- rency Variations	21.0	7.2	0.2	—	- 0.2
Fertilizer Bounties	50.6	55.7	69.8	61.0	- 8.8
Inspection Services	9.8	12.7	13.6	15.9	+ 2.2
Agricultural Extension and Re- search	5.2	6.0	6.7	7.2	+ 0.5
Territories—Agricultural Services and Projects	1.4	1.4	1.6	1.8	+ 0.2
Less Recoveries and Repayments	0.1	0.1	0.1	0.6	+ 0.5
Total	91.9	133.0	142.7	152.6	+ 9.9
Irrigation and Other Pastoral Water Projects—					
Irrigation Projects	20.5	18.8	14.8	9.4	- 5.4
Investigation and Other Pastoral Water Projects	7.2	6.6	7.2	7.7	+ 0.5
Flood Mitigation	1.1	0.9	1.2	2.0	+ 0.8
Less Repayments	0.1	..	..	0.1	+ 0.1
Total	28.8	26.3	23.1	19.0	- 4.2
Land Development Projects—					
War Service Land Settlement ..	3.9	4.2	3.8	4.5	+ 0.6
Other	1.0	1.8	1.3	1.4	..
Less Repayments	4.4	4.7	7.2	5.8	- 1.4
Total	0.5	1.2	- 2.0	..	+ 2.1
General Administrative and Other Expenditure	4.9	6.1	7.6	9.6	+ 1.9
Less Recoveries	1.3	2.1	1.4	2.1	+ 0.7
Total Agricultural and Pas- toral Industries ..	220.1	340.0	238.8	295.2	+ 56.4
Mining, Manufacturing and Other Industries—					
Mining Industry—					
Pyrites Bounty	0.6	1.2	1.8	—	- 1.8
Gold Mining Industry Assistance	2.9	1.9	0.3	..	- 0.3
Coal Exploration	—	—	—	1.0	+ 1.0
Petroleum Search Subsidy ..	9.6	7.6	8.1	8.5	+ 0.4
Bureau of Mineral Resources ..	7.5	9.0	9.9	10.2	+ 0.3
Other Mining	1.1	2.2	1.8	1.5	- 0.3
Total	21.7	21.9	21.9	21.3	- 0.6

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Manufacturing Industry—					
Shipbuilding Assistance ..	18.7	13.4	30.7	31.1	+ 0.4
Industrial Research and Development Scheme ..	16.4	13.1	14.1	16.8	+ 2.6
Agricultural Tractors Bounty ..	2.7	3.2	2.8	3.0	+ 0.2
Machine Tools Bounty ..	—	—	0.7	1.0	+ 0.3
Book Bounty ..	3.2	3.2	3.0	3.0	..
Export Incentive Grants and Pay-roll Tax Rebates ..	47.8	58.7	58.3	74.0	+ 15.7
Adjustment Assistance for Cur- rency Variations ..	0.6	..	—	3.0	+ 3.0
Tariff Reduction Assistance ..	—	—	—	10.0	+ 10.0
Other Assistance ..	1.8	1.2	0.4	1.0	+ 0.6
General Administration ..	—	—	0.4	1.7	+ 1.3
Total	91.2	92.8	110.4	144.5	+ 34.1
Less Recoveries and Repayments	1.3	1.3	1.3	1.5	+ 0.2
Total Mining and Manu- facturing Industries ..	111.5	113.4	131.1	164.4	+ 33.3
Tourist Industry—					
Tourist Commission ..	2.4	2.7	3.1	3.0	— 0.1
Other Assistance to the Tourist Industry ..	0.2	0.3	0.4	2.8	+ 2.4
Total	2.6	2.9	3.4	5.8	+ 2.3
Other Assistance to Industry—					
Petroleum Products Subsidy ..	23.8	25.2	25.7	25.8	+ 0.1
Australian Industry Develop- ment Corporation ..	25.0	12.5	12.5	—	— 12.5
Export and Trade Promotion ..	11.5	13.2	15.2	13.9	— 1.3
Export Payments Insurance Cor- poration ..	—	—	4.0	—	— 4.0
Less Recoveries ..	1.3	1.7	0.9	1.1	+ 0.1
Total	59.0	49.2	56.4	38.6	— 17.8
TOTAL INDUSTRY ASSISTANCE ..	400.8	509.3	443.1	515.0	+ 71.9

FORESTRY AND FISHING INDUSTRIES

Under the *Softwood Forestry Agreements Act 1972* the Australian Government is providing financial assistance for a further five-year planting program ending on 30 June 1976. As in the previous Agreement, the assistance to be provided is to be by way of interest bearing loans repayable over twenty-five years, with repayments and the payment of interest to commence approximately ten years after the date of each advance.

During 1972-73 payments amounting to \$9.5 million were made to the States in respect of the 1971-72 and 1972-73 planting years and these represent the initial payments to the States under this new Agreement. It is estimated that further payments of \$5.5 million will be made in 1973-74.

AGRICULTURAL AND PASTORAL INDUSTRIES

Wool Industry

The Wool Corporation, which took over from the Wool Commission, is expected to perform its functions, including the operation of a flexible reserve price scheme, without recourse to assistance from the budget in 1973-74.

Wool Deficiency Payments were originally envisaged as applying to the 1971-72 wool clip only. The scheme was subsequently extended to the next season but has now expired; the provision of \$0.1 million in 1973-74 is to meet a carry-over of administrative costs associated with the scheme. An amount of \$0.6 million is provided to finalise payments in respect of the Price Averaging Plan for small lots, Government support for which expired on 30 June 1973.

Of the estimated expenditure of \$43.6 million in 1973-74 for wool research and promotion, about half is to be contributed by the industry in the form of wool tax (see Statement No. 5 for further details).

Wheat Industry

In recent years advances have been made from the budget to the Australian Wheat Board to enable the Board to meet its commitments. At present no Australian Government advances are outstanding to the Board and no advances are provided for in 1973-74.

The fifth Wheat Industry Stabilization Plan has been extended for one season pending the introduction of a new longer-term scheme to operate from December 1974. The amount of \$16.0 million included in the estimates is less than the payments made in previous years because of the low level of exports from the 1972-73 harvest and higher export prices.

Dairy Industry

The total decrease of \$10.6 million in payments of butter and cheese bounties and the processed milk products bounty in 1973-74 reflects the Government's decision to phase out these bounties over the two years 1973-74 and 1974-75.

An amount of \$3.1 million is included in the estimates for payment to the States under the Marginal Dairy Farms Reconstruction Scheme. The Government has indicated its readiness to provide additional assistance to assist the dairy industry to adjust to changing circumstances.

Of the \$2.8 million estimated to be spent on research and promotion in 1973-74, an amount of \$2.4 million is to be provided by the industry through the dairy industry levies.

Fruit Industry

The Australian Government guarantees minimum returns under stabilization schemes for apples and pears and for dried vine fruits; a total of \$2.7 million is provided for these purposes in 1973-74, compared with \$4.0 million in 1972-73.

Under the Fruitgrowing Reconstruction Scheme introduced in 1972 the States were offered \$4.6 million in financial assistance toward a scheme for the removal of trees producing fruit deemed to be surplus to long-term market requirements. Expenditure in 1972-73 was \$0.4 million and the estimate for 1973-74 is \$2.0 million.

Poultry Industry

Expenditure on stabilization and research in the poultry industry is estimated to decline by \$2.1 million to \$11.9 million in 1973-74. Most of these payments are financed from industry levies and flow back to the industry through State egg marketing authorities in accordance with the egg industry stabilization scheme.

Cattle, Sheep and Pig Meat Industry

The Australian Government has assisted the States in financing an intensified campaign for the eradication of bovine brucellosis and tuberculosis since January 1970. By June 1973 \$8.0 million had been paid to the States and a further \$4.9 million is provided in the estimates for 1973-74. As announced in the Budget Speech, the Australian Government has decided to recoup from the industry the expenditure it will incur for this purpose from 1973-74 (see Statement No. 5 for further details).

Most of the expenditure on research and promotion is financed by industry levies.

EXPENDITURE NOT ALLOCATED TO SPECIFIC AGRICULTURAL AND PASTORAL INDUSTRIES*Rural Lending*

An amount of \$10.0 million was advanced in 1971-72 to enable the Commonwealth Development Bank to lend for farm build-up purposes. The Government has decided to provide \$20.0 million in 1973-74 for a further widening of the purposes for which the Bank can lend to the rural sector.

Rural Reconstruction Scheme

Under the States Grants (Rural Reconstruction) Act the Australian Government agreed to provide \$100.0 million to the States over a four-year period for the purposes of debt reconstruction, farm build-up and the rehabilitation of farmers obliged to seek alternative employment. Nearly \$95 million had been paid to the States by 30 June 1973, and in 1973-74 payment is expected to be made of the \$5 million remaining from that provision, together with \$42 million from the additional amount of \$54 million which the Government has agreed to make available in recognition of the continuing need for adjustment.

Fertilizer Bounties

Expenditure on fertilizer bounties, which increased sharply to \$69.8 million in 1972-73, is estimated to total \$61.0 million in 1973-74.

Inspection Services

The Commerce (Trade Descriptions) Act involves the Australian Government in substantial expenditures on inspection services, particularly in respect of meat for export. As announced in the Budget Speech, the Government has decided to recoup expenditure on export meat inspection from the industry by imposing a charge on the export of meat (details are provided in Statement No. 5).

Agricultural Extension and Research

Since 1948-49 annual grants have been made to the States to promote improved farm practices in the dairy industry and since 1952-53 further grants have been provided for expansion in the States of agricultural advisory services generally. In addition to the funds provided to the States, a small amount is expended directly by the Australian Government on projects nominated by the States but of common interest. Up to 30 June 1973 nearly \$46 million had been provided for these purposes; a further \$7.2 million is included in the estimates for 1973-74.

Territories—Agricultural Services and Projects

Outlays on agricultural services and projects in the Territories are estimated to total \$1.8 million in 1973-74, compared with \$1.6 million in 1972-73.

The 1973-74 estimate makes allowance for the Government's decisions, arising out of consideration of items in the Coombs Report, to abolish rail freight subsidies and the freight subsidy for breeding stock in the Northern Territory.

IRRIGATION AND OTHER PASTORAL WATER PROJECTS

Expenditure under this heading comprises Australian Government financial assistance to the States for rural water conservation and irrigation purposes, and flood mitigation. The main expenditures provided for in 1973-74 are for the Bundaberg Irrigation scheme in Queensland (\$3.2 million), the Copeton Dam on the Gwydir River in New South Wales (\$2.0 million), the Dartmouth Dam in South Australia (\$1.1 million) and the Ord River Dam in Western Australia (\$1.1 million).

Payments to the States estimated at \$4.6 million in 1973-74 are provided for as part of the three year program of surface water measurement and underground water resources investigations which commenced this year.

Additional information on these projects is contained in the White Paper entitled *Payments To or For the States, 1973-74*.

MINING INDUSTRY

An amount of \$1.0 million is provided in the budget for a program of core drilling to obtain additional information on Australia's recoverable coal reserves.

The Government has announced that the petroleum search subsidy scheme—for which \$8.5 million is included in the budget—will expire at 30 June 1974.

MANUFACTURING INDUSTRY

Assistance to manufacturing industry is estimated to increase by \$34.1 million to \$144.5 million in 1973-74.

The Industrial Research and Development Grants Scheme is to be reviewed. Expenditure on the scheme is estimated at \$16.8 million in 1973-74, compared with \$14.1 million in 1972-73.

Outlays on export incentive grants and pay-roll tax rebates are estimated at \$74.0 million in 1973-74, an increase of \$15.7 million on last year; the Government has announced that the future of these arrangements beyond 1973-74 is to be reviewed during the year.

An initial allocation of \$10.0 million has been included in the estimates for 1973-74 to assist firms affected by the 25 per cent tariff reduction announced on 18 July. This assistance will be available to help firms to adapt to the new situation and to provide compensation to firms which, unable to adapt, are forced to close.

TOURIST INDUSTRY

Total outlays to assist the tourist industry are estimated at \$5.8 million in 1973-74, \$2.3 million more than in 1972-73.

OTHER ASSISTANCE TO INDUSTRY

The Petroleum Products Prices Stabilization Scheme provides a subsidy to users of certain petroleum products in non-metropolitan areas such that wholesale prices in those areas do not exceed metropolitan prices by more than 3.3 cents per gallon.

The Government proposes, as announced in the Budget Speech, to increase the margin specified in the scheme from the present 3.3 cents to 5 cents per gallon. Outlays under the scheme in 1973-74 are estimated at \$25.8 million, only slightly above actual outlays in 1972-73.

Expenditure on export promotion in 1973-74 is estimated at \$13.9 million, comprising expenditures on the Trade Commissioner Service (\$8.9 million), matching grants to primary product marketing boards (\$1.2 million) and trade publicity, fairs and displays (\$3.9 million).

INDUSTRY ASSISTANCE THROUGH THE TAXATION SYSTEM

As mentioned earlier in this Statement, a considerable amount of assistance to industry has been provided in the past through special taxation concessions. Some of these concessions were withdrawn during 1972-73 and, as indicated in the Budget Speech, legislation is to be introduced withdrawing certain others.

Such concessions result in a reduction of Australian Government revenues (and a corresponding increase in the funds available to the recipients). They are, in fact, as much a call on the budget as equivalent direct outlays would be, and for this reason have sometimes been described as disguised expenditures. Assistance of this type through the taxation system has been provided mainly by way of income tax concessions which permit firms and individuals to make deductions from their assessable income additional to those authorised under the general provisions of the income tax law.

The amount of revenue forgone in 1972-73 through the main taxation concessions is estimated to have been about \$289 million. Details are shown below. (Pay-roll tax rebates under the export incentive scheme in respect of exports in 1970-71 and prior years are included under the heading Manufacturing Industry.)

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

- A those allowing 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 deductions from income for this expenditure);
- B those allowing 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 exempting certain classes of income.

The main provisions in each of these classes and the estimated amounts of revenue forgone in 1972-73 are shown in the following table. A miscellany of lesser provisions is not included, because of lack of data on revenue forgone or questions about the extent to which they may properly be regarded as wholly 'Industry Assistance'.

Main Provisions	Estimated Revenue Forgone in 1972-73
	\$ million
<i>Category A—</i>	
Investment allowance(a)—	
Manufacturing	45
Primary production	8
Export Market Development Rebate	25
Certain capital expenditures on land used for 'primary production' and in timber operations (excluding items otherwise depreciable)(a). Deductions for telephone lines allowed to 'primary producers'	15
Expenditure on scientific research (excluding accelerated depreciation on plant)	1
Moneys paid on shares(b)—	
One-third of calls on mining or afforestation shares—sections 77c and 78 (1)(b)	40
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)	70
Total Category A	204
<i>Category B—</i>	
Special depreciation allowable to 'primary producers'(a)	13
Allowance of immediate deduction for fencing and underground piping instead of depreciation(a)	
Special rate of depreciation on plant used for scientific research	50
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	63(c)
<i>Category C—</i>	
Exemption of certain mining profits(a)	22(d)
Total of Categories A, B and C	289

(a) As stated in the Budget Speech, it is proposed to withdraw these concessions, subject, in some cases, to transitional provisions.

(b) Moneys paid on shares in mining, but not afforestation, companies are not now deductible if paid after 7 May 1973.

(c) This estimate is based on the deductions allowable in the 1971-72 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 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.

(d) This estimate is based on the exemption of income under section 23 (a)—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, and the exemption in shareholders' hands of dividends paid out of this income. It also includes the cost of the exemption provided by section 44 (2) (d) for dividends paid out of income derived from the sale of Australian petroleum.

D. EMPLOYMENT CONDITIONS

Expenditure on the Government's manpower and industrial relations policies is expected to total \$71.5 million in 1973-74, an increase of \$17.6 million on the previous year. An initial provision of \$5.0 million is included for adjustment assistance following the 25 per cent reduction in all non-revenue rates of customs tariff. The remaining increase is due mainly to further growth in the activities of the Commonwealth Employment Service and various employment training schemes.

Details are shown in the following table:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Conciliation and Arbitration ..	1.9	2.2	2.6	3.1	+ 0.5
Payment to Stevedoring Industry Authority	14.0	16.1	17.9	18.5	+ 0.6
Coal Mining Industry Long Service Leave	1.1	1.2	2.0	2.2	+ 0.2
Apprenticeship Training	0.6	0.8	1.3	5.5	+ 4.2
Aboriginal Training Schemes ..	0.4	0.6	0.9	1.4	+ 0.5
Adjustment Assistance for Tariff Reduction	—	—	—	5.0	+ 5.0
Other Training Schemes	1.9	2.9	4.0	6.4	+ 2.4
General Administration	17.2	21.7	25.1	29.4	+ 4.2
Less Recoveries	0.1	0.1	0.1	0.1	..
TOTAL EMPLOYMENT CONDITIONS	37.0	45.4	53.9	71.5	+17.6

Conciliation and Arbitration

Expenditure in 1973-74 is estimated to increase by \$0.5 million to \$3.1 million, partly as a consequence of the appointment of an additional two Deputy Presidents and six Commissioners to the Conciliation and Arbitration Commission. An additional \$0.1 million has been provided to overcome arrears in the publication of Commonwealth Arbitration Reports.

Payment to Stevedoring Industry Authority

This payment represents collections by the Government on behalf of the Authority in respect of man-hour levies imposed on stevedoring employers under the *Stevedoring Industry Charge Act* 1947-1973. The funds are utilised by the Authority to pay attendance money and leave benefits to waterside workers, and to reimburse employers for pension and redundancy payments. Expenditure in 1973-74 is estimated at \$18.5 million, an increase of \$0.6 million. Increased levy charges are to apply during 1973-74.

Coal Mining Industry Long Service Leave

Long service leave benefits for coal miners are financed from a trust fund established under the *States Grants (Coal Mining Industry Long Service Leave) Act* 1949-1968. In States where miners have been awarded long service leave the States reimburse employers the cost of granting this leave. The Australian Government in turn reimburses the States from an excise imposed on the production of coal. Expenditure from the Trust Account in 1973-74 is estimated to be \$2.2 million.

Apprenticeship Training

The purpose of the National Apprenticeship Assistance Scheme, introduced in January 1973 as an extension of a Country Apprenticeship Scheme, is to increase the number of apprenticeships available and to improve the standard of training.

Expenditure in 1973-74 is estimated at \$5.5 million, an increase of \$4.2 million on the previous year, of which \$2.5 million is a result of the extended scheme's first full-year of operation. The Government's decision to increase and widen the benefits available under the scheme accounts for the remaining \$1.7 million of the increase.

Aboriginal Training Schemes

An employment training scheme for Aborigines who are not established in the work-force is sponsored by the Australian Government. The decision to increase the benefits and broaden the scope of the employment training scheme is estimated to cost an additional \$0.2 million in 1973-74. Vocational training courses are also conducted for Aborigines in the Northern Territory; expansion of these courses is estimated to cost an additional \$0.2 million in 1973-74.

Adjustment Assistance for Tariff Reduction

An initial allocation of \$5.0 million has been included in the estimates to assist employees displaced as a direct result of the Government's decision to reduce all non-revenue rates of customs tariff by 25 per cent from 19 July 1973.

This assistance will be given through the Commonwealth Employment Service (CES) and other existing services and will include:

- (a) grants to individuals to meet relocation expenses where the CES is able to offer employment at a different location;
- (b) re-training assistance, including guaranteed minimum wages during re-training, payment of training fees and related transport costs and living-away-from-home allowances where necessary; and
- (c) incentives to firms to train or re-train staff rendered redundant as a result of tariff changes.

Other Training Schemes

Funds are provided for a range of training and re-training schemes designed to provide greater employment opportunities for persons in the community who have been disadvantaged in employment. A program has also been developed to encourage a general improvement in training in all fields of industry and commerce.

Expenditure in 1973-74 is estimated to total \$6.4 million, an increase of \$2.4 million on 1972-73. Additional funds have been provided for the training of persons displaced by redundancy (\$0.9 million), for the training of discharged servicemen (\$0.8 million), and for the General Employment Retraining Scheme (\$0.4 million).

General Administration

Expenditure in 1973-74 for the operating costs of the Department of Labour is estimated at \$29.4 million, an increase of \$4.2 million over 1972-73 expenditure. Higher staff numbers and salary rates approved in 1972-73 account for \$2.2 million of the increase. An additional \$0.8 million has been provided to publicise training schemes and services provided by the Commonwealth Employment Service.

E. OTHER ECONOMIC SERVICES

This residual group covers several economic services which are not readily categorised elsewhere.

Outlays on these various services in each of the past three years and the estimates for 1973-74 are summarised in the following table:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Economic and Trade Regulation—					
Patent, Trade Marks and Designs					
Offices	2.7	3.5	4.0	4.5	+ 0.5
Tariff Board	1.4	1.8	2.6	3.3	+ 0.7
Trade Practices	0.6	0.7	0.8	0.8	..
Prices Justification Tribunal	—	—	—	0.5	+ 0.5
Other	0.5	0.9	1.4	1.3	..
Less Recoveries	2.9	3.4	4.0	4.3	+ 0.3
Total	2.2	3.4	4.8	6.1	+ 1.3
Specialised Activities—					
Meteorological Services	18.5	22.6	23.7	26.4	+ 2.8
National Mapping	4.2	4.7	4.7	5.3	+ 0.6
Snowy Mountains Engineering Corporation	0.8	0.6	0.4	—	- 0.4
Less Recoveries	6.0	7.1	7.8	8.5	+ 0.7
Total	17.5	20.8	20.9	23.2	+ 2.3
General Administrative and Other Expenditures nec—					
Department of Overseas Trade nec	8.8	10.0	11.2	11.3	+ 0.1
Department of Minerals and Energy nec	3.5	3.8	4.0	4.3	+ 0.3
Department of Northern Development nec	0.3	0.4	0.4	1.3	+ 0.9
Less Recoveries	0.4	0.5	0.9	0.4	- 0.5
Total	12.1	13.6	14.7	16.5	+ 1.8
TOTAL OTHER ECONOMIC SERVICES	31.9	37.8	40.4	45.8	+ 5.4

ECONOMIC AND TRADE REGULATION

Most of the outlays under this heading relate to the costs of operations of the various authorities listed. The estimate of \$1.3 million for 'Other' in 1973-74 includes provision for the Metric Conversion Board and the National Standards Commission.

Recoveries under this heading, which are estimated to increase to \$4.3 million in 1973-74, are mainly in the form of fees charged by the Patent, Trade Marks and Designs Offices.

SPECIALISED ACTIVITIES AND GENERAL ADMINISTRATIVE SERVICES

Increases in wage and salary costs are responsible for most of the increases of both the specialised activities and general administrative services listed in the above table. Recoveries in respect of specialised activities, which are estimated to increase to \$8.5 million in 1973-74, reflect mainly revenues of the Bureau of Meteorology from specialist services.

9. GENERAL PUBLIC SERVICES

This broad functional heading covers a range of general public services and activities concerned with the organisation and operation of the central Government, including administrative services and foreign affairs and external territories.

A. LEGISLATIVE SERVICES

Details of actual outlays on legislative services over the past three years, together with estimates for 1973-74, are shown in the following table:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Governor-General's Office and other Official Establishments	0.6	0.7	0.8	0.9	+ 0.1
Parliamentary Expenditure—					
Salaries and Allowances of Members	3.2	3.3	3.8	5.6	+ 1.8
Other	9.3	11.8	13.6	14.9	+ 1.2
Constitutional Convention	—	—	—	0.1	+ 0.1
Northern Territory Legislative Council	0.2	0.3	0.3	0.4	+ 0.1
Australian Electoral Office	4.9	3.2	6.2	6.9	+ 0.7
TOTAL LEGISLATIVE SERVICES	18.3	19.3	24.6	28.7	+ 4.1

Higher outlays on wages, salaries and administrative costs account for most of the estimated increase of \$4.1 million shown for 1973-74.

Parliamentary Expenditure—Salaries and Allowances

The increase of \$1.8 million in expenditure for 1973-74 includes the full-year effect (\$0.9 million) of increases in remuneration to Senators and Members of the House of Representatives approved on 1 April 1973, and increased allowances to ex-Members (\$0.8 million) approved under Parliamentary Retiring Allowances legislation.

Parliamentary Expenditure—Other

This item covers salaries of Public Service officers, administrative costs and capital works associated with the functioning of the Parliament. Of the increase, \$0.4 million relates to increased provision for travel entitlements for Senators and Members. Other general cost increases have been partly offset by a reduced requirement of \$0.5 million for capital works in respect of Parliament House.

Australian Electoral Office

Administrative costs of maintaining electoral rolls and conducting Australian Government elections and referenda are included here. The higher level of outlays in 1972-73 and the increase in the provision for 1973-74 reflect, respectively, the timing of elections and the administrative costs associated with the new program for enrolment of 18 year olds.

B. LAW, ORDER AND PUBLIC SAFETY

Australian Government outlays on law, order and public safety are estimated to total \$53.5 million in 1973-74, an increase of \$12.5 million compared with 1972-73.

Details of actual outlays in the three years to 1972-73, together with estimates for 1973-74 are provided in the following table and associated commentary:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Courts and Legal Services—					
High Court	0.6	0.7	0.8	0.8	+ 0.1
Commonwealth-State Law Courts ..	0.9	1.1	2.3	4.0	+ 1.7
Courts and Registration Offices in the Territories	1.1	1.4	1.7	1.9	+ 0.2
Bankruptcy Administration	1.3	1.5	1.8	2.1	+ 0.3
Crown Solicitor	2.3	2.9	3.1	3.5	+ 0.4
Legal Aid	0.2	0.3	1.1	4.0	+ 2.9
Total	6.3	7.9	10.8	16.3	+ 5.5
Police, Security and Detention—					
Australian Security Intelligence Organisation	3.6	4.4	4.7	4.9	+ 0.2
Commonwealth Police	5.3	7.1	8.0	9.6	+ 1.6
Police and Prison Services in the Territories	5.4	6.6	8.6	10.8	+ 2.2
Other	0.2	0.3	0.4	0.6	+ 0.1
Total	14.5	18.4	21.8	25.8	+ 4.0
Attorney-General's Department—					
General Administration and Other Expenditure	3.7	4.1	5.1	6.9	+ 1.7
Reporting Branch	0.8	1.0	1.0	1.1	+ 0.1
Total	4.6	5.1	6.1	8.0	+ 1.9
Public Safety and Protection—					
Road Safety	0.5	0.5	0.7	1.0	+ 0.3
Other	1.3	1.5	2.1	2.5	+ 0.4
Total	1.7	2.0	2.8	3.5	+ 0.6
Buildings, Works and Equipment nec	1.0	1.3	0.5	0.6	+ 0.2
Less Recoveries	0.8	0.9	1.0	0.8	- 0.2
TOTAL LAW, ORDER AND PUBLIC SAFETY	27.2	33.8	41.0	53.5	+12.5

COURTS AND LEGAL SERVICES

The Australian Government is meeting some 45 per cent of the construction costs for a joint Court complex with the State of New South Wales in Sydney. The Australian Government's contribution in 1973-74 is estimated at \$4.0 million.

The increase in outlays for legal aid reflects new initiatives by the Australian Government. In April 1973 the Government decided to supplement the existing legal aid schemes of the States by per capita grants. The first payments, totalling \$2 million, will be made in 1973-74. In January 1973 the Government decided to increase substantially the availability of legal aid to Aborigines; this increased aid is estimated to cost \$1.5 million in 1973-74 compared with part-year costs of \$0.7 million in 1972-73.

POLICE, SECURITY AND DETENTION

Provision has been made in 1973-74 for an increase of 66 in the average strength of the Commonwealth Police Force. Most of the increase of \$1.6 million in estimated outlays in 1973-74 is attributable to higher salary and wage payments for the larger force.

ATTORNEY-GENERAL'S DEPARTMENT

The Department assumed responsibility for censorship, literature review and some functions of the Office of the Parliamentary Counsel from 19 December 1972. Increases in staff necessitated by these changes and the full-year effects of higher wage and salary rates account for most of the estimated increase of \$1.7 million in outlays in 1973-74.

PUBLIC SAFETY

The decision of the Government to provide \$3 million in 1973-74 for grants to the States for a program of traffic management and other low-cost improvements at locations with poor accident records was referred to earlier under the heading of Transport and Communication. In addition to those grants, the Government is providing \$825,000 in 1973-74 for road safety promotion and research and an annual grant to the States of \$150,000 for promotion of road safety practices.

C. FOREIGN AFFAIRS AND EXTERNAL TERRITORIES

This heading encompasses most of the costs incurred by the Australian Government in the pursuit of policies designed to foster our relations with foreign countries, and in the administration of Australia's external territories.

The bulk of the expenditures (about 82 per cent in 1973-74) relates to various external economic aid programs undertaken by Australia to assist developing countries, including Papua New Guinea, to achieve faster rates of economic growth and higher living standards. A detailed explanation of these aid programs is given in the White Paper entitled *Australia's External Aid 1973-74* issued concurrently with the budget documents.

Total outlays on foreign affairs and external territories are estimated to increase by \$84.7 million, or 30.6 per cent, in 1973-74 to \$361.6 million. As the following table shows, the increase in aid payments more than accounts for the overall increase:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Aid Payments—					
Papua New Guinea	105.2	120.7	133.4	209.6	+76.1
Multilateral Aid	10.8	12.0	14.2	17.9	+ 3.7
Bilateral Aid	43.4	51.7	60.6	66.9	+ 6.3
Total	159.4	184.4	208.3	294.4	+86.1
Cocos (Keeling), Christmas and Norfolk Islands	1.1	1.3	1.5	1.4	- 0.2
Membership of International Organizations and Other Non-Aid Expenditure	7.2	7.3	7.5	8.2	+ 0.7
General Administrative Expenditures ..	41.6	49.5	65.8	60.7	- 5.1
Less Recoveries and Repayments—					
Repayment of Advances to Papua New Guinea Administration ..	—	—	3.0	—	- 3.0
Cocos (Keeling), Christmas and Norfolk Islands	0.6	0.7	0.7	0.8	..
Other	1.4	2.0	2.4	2.3	- 0.1
Total	2.0	2.6	6.2	3.1	- 3.0
TOTAL FOREIGN AFFAIRS AND EXTERNAL TERRITORIES	207.3	239.9	276.9	361.6	+84.7

AID PAYMENTS

Australia's aid programs are discussed in detail in the White Paper referred to above. That White Paper also brings together other expenditures of an external aid nature, which are subsumed in other functional headings in this Statement, and discusses Australia's relative aid performance. The substantial increase in aid expenditures in 1973-74 is explained largely by the special efforts now being made to prepare Papua New Guinea for self-government by 1 December 1973.

COCOS (KEELING), CHRISTMAS AND NORFOLK ISLANDS

Included in this item are the costs involved in administering these three small external territories. A new program for the restoration of historic buildings on Norfolk Island will commence in 1973-74. An allocation of \$40,000 has been made in the budget for this purpose.

MEMBERSHIP OF INTERNATIONAL ORGANISATIONS AND OTHER NON-AID EXPENDITURE

Total expenditure under this heading is expected to increase from \$7.5 million in 1972-73 to \$8.2 million in 1973-74. New items include Australia's voluntary contribution towards the restoration of the Borobudur temple in Indonesia, which is being carried out by UNESCO (\$40,000), and contributions to the UN Environment Fund (\$706,000) and the Commonwealth Youth Program (\$60,000), and costs of membership of other international organisations. Expenditure associated with Australia's cultural relations overseas are estimated to increase from \$232,000 to \$543,000.

GENERAL ADMINISTRATIVE EXPENDITURES

This item encompasses the administrative costs of the Departments of Foreign Affairs and External Territories and the new Overseas Property Bureau. The decrease in 1973-74 reflects the expectation that the heavy expenditure on purchases of land for overseas premises made in 1972-73 (including purchases costing \$7.3 million in Paris and \$1.9 million in Osaka) will not be repeated this year.

D. GENERAL AND SCIENTIFIC RESEARCH NEC

The largest expenditure under this heading is that by CSIRO. Also included are expenditures on specific programs of research undertaken by several Government departments and instrumentalities, such as the research activities of the Department of Science in the Antarctic and the nuclear research activities of the Australian Atomic Energy Commission. Assistance for general research activities through the Australian Research Grants Committee and contributions to international scientific conferences are also shown under this heading.

The main items of expenditure are summarised in the following table and related notes:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Australian Atomic Energy Commission	15.8	13.2	13.8	14.9	+ 1.1
Commonwealth Scientific and Industrial Research Organization (CSIRO)	51.9	57.1	63.4	78.7	+15.3
Antarctic Division	2.6	3.1	3.3	3.6	+ 0.3
Research Grants	4.6	4.8	6.3	6.9	+ 0.6
Australian Institute of Marine Science	—	—	..	0.5	+ 0.5
Anglo-Australian Telescope Board ..	0.8	2.0	2.0	1.4	- 0.6
Australian Institute of Aboriginal Studies	0.4	0.5	0.5	1.5	+ 1.0
Other Research and Science nec ..	0.2	0.2	0.3	0.4	+ 0.2
TOTAL GENERAL AND SCIENTIFIC RESEARCH NEC	76.3	80.9	89.6	107.9	+18.3

Australian Atomic Energy Commission

The Atomic Energy Commission's major functions include research and investigations into matters associated with uranium and atomic energy and the production and sale of radio isotopes.

Over half of the estimated increase in expenditure by the Commission in 1973-74 is attributable to increases in salaries resulting from awards and determinations made in 1972-73.

Commonwealth Scientific and Industrial Research Organization

Expenditure by CSIRO relates to the Organization's activities in the fields of agricultural and biological research and industrial and physical research, and in the provision of research services and facilities.

The estimated increase of \$15.3 million in expenditure by the Organization in 1973-74 includes additional wage and salary costs of \$7.8 million, and an additional \$3.0 million for the construction of the National Standards Laboratory in Sydney. A further \$4.5 million is included for expansion of the CSIRO computer network.

Research Grants

Assistance is provided through the Australian Research Grants Committee, the Queen Elizabeth II Fellowship Scheme and the Queen's Fellowship Scheme, for research projects by individuals in the humanities and social sciences, the physical, chemical, biological and earth sciences, engineering and applied sciences and marine science.

Most of the increase in this item in 1973-74 reflects the full-year effect of a substantially increased triennial program (\$20 million) for the Australian Research Grants Committee, for the 1973-75 triennium.

Australian Institute of Marine Science

The Australian Institute of Marine Science was established in 1972 to conduct studies in marine science on its own behalf and to co-ordinate and develop marine science in Australia. Initially, the work of the Institute is being directed to studies of the Great Barrier Reef, the Coral Sea and the coast and adjacent waters of North Queensland.

Provision has been made in 1973-74 for the commencement of work on a laboratory for the Institute in Queensland.

Anglo-Australian Telescope Board

This item covers the Australian Government's share of the cost of construction of a 3.9m optical telescope near Coonabarabran in New South Wales. The total capital cost of the project, estimated at \$15.7 million, is to be shared equally between Australia and the United Kingdom.

The construction phase of the telescope is nearing completion and capital expenditure in 1973-74 is estimated at \$1.4 million, \$0.6 million less than in 1972-73.

Australian Institute of Aboriginal Studies

The Australian Institute of Aboriginal Studies was established in 1964 to promote, encourage and assist studies of and research into Australian Aborigines.

The grant to the Institute is to be increased to \$1.5 million in 1973-74 so that the Institute may widen its areas of activity and, in particular, undertake work associated with the identification and preservation of sites that are of special significance to Aborigines, and research into the interaction between Aborigines and Europeans since the beginning of European settlement.

Other Research and Science nec

Items under this heading include support for the Academies of Science, the Social Sciences and the Humanities, the Australian and New Zealand Association for the Advancement of Science, and contributions toward the cost of conducting several international conferences on scientific topics. Included also is an amount of \$0.1 million for grants to existing scientific institutions to stimulate the scientific study of Australia's biological resources.

E. ADMINISTRATIVE SERVICES

Included under this heading are general administrative services not allocated to specific functions, together with some common services.

Details of outlays on these services during the past three years, together with estimates for 1973-74, are shown in the following table:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Financial Affairs and Fiscal Administration—					
Customs and Excise	29.6	35.3	40.3	44.4	+ 4.1
Taxation Administration	52.5	61.3	70.3	80.2	+ 9.9
Treasury, nec	16.6	19.2	21.0	26.0	+ 5.0
Other	5.4	6.2	7.8	9.3	+ 1.5
Total	104.1	121.9	139.4	159.9	+20.5
Statistical Services	20.5	27.8	26.3	28.2	+ 1.9
General Administration of the Territories	20.7	23.9	27.5	35.0	+ 7.5
Other Administrative Services nec—					
Prime Minister's Department	10.4	10.9	12.7	14.9	+ 2.3
Department of Special Minister of State			0.2	1.5	+ 1.3
Department of Science			1.0	3.5	+ 2.4
Department of Tourism and Recreation			0.1	0.6	+ 0.5
Department of the Media			0.2	1.8	+ 1.6
Department of Environment, Aborigines and the Arts	0.1	1.4	1.1	—	— 1.1
Other	-0.1	..	0.3	0.4	+ 0.1
Total	10.4	12.3	15.6	22.7	+ 7.1
Common Services—					
Construction Services (net)	44.2	48.0	53.6	62.8	+ 9.2
Australian Government Offices	13.0	35.7	29.1	22.4	- 6.7
Government Printer	0.7	0.8	1.7	2.2	+ 0.6
Property Management and Services	15.6	18.9	21.8	24.2	+ 2.4
Publicity Services	4.1	4.4	4.9	7.3	+ 2.4
Other	0.7	0.2	0.3	0.4	+ 0.1
Total	78.3	108.1	111.5	119.4	+ 7.9
Net Superannuation Payments nec	18.8	25.7	29.1	32.5	+ 3.4
Less Recoveries	18.3	19.5	20.5	21.4	+ 0.8
TOTAL ADMINISTRATIVE SERVICES	234.6	300.2	328.8	376.4	+47.6

Outlays on general administrative services other than common services and net superannuation payments are estimated to total \$245.9 million in 1973-74, an increase of \$36.0 million compared with 1972-73. Increases in staff numbers associated with growing demands for general administrative services, combined with the full-year effects of salary and other wage increases granted during 1972-73, are largely responsible for this increase.

COMMON SERVICES

Included under this heading are outlays of departments and agencies providing general services for the government as a whole, such as construction activities, printing, publicity, and the purchase and leasing of buildings.

Construction Services (net)

The estimated increase of \$9.2 million in expenditure on Construction Services is due to expected increases of \$5.3 million in salaries and other administrative expenses of the Department of Works and \$1.3 million in expenditure on the construction of new depots and other capital items for that department. Revenues of the Department of Works in 1973-74 are expected to be \$3 million less than in 1972-73, largely because of a non-recurring sale of assets to the Papua New Guinea Government in 1972-73.

Australian Government Offices

The estimated reduction of \$6.7 million in expenditure on government offices reflects the completion during 1972-73 of new offices in Brisbane, the near completion of a new office building in Hobart and substantially less expenditure in 1973-74 on the acquisition of sites for future office buildings.

Property Management and Services

The estimated increase of \$2.4 million is due mainly to increases in salaries and other administrative costs.

Publicity Services

The estimated increase of \$2.4 million reflects increased provisions for various publicity programs undertaken by the Department of the Media for government departments and authorities.

10. NOT ALLOCATED TO FUNCTION

Outlays not allocated to specific functions comprise payments to the States not elsewhere classified in this Statement, natural disaster relief, interest payments on the public debt, and provision for the August 1973 salary increases.

A. PAYMENTS TO STATES NEC AND NATURAL DISASTER RELIEF

This item comprises general revenue assistance to the States, State Government Loan Council programs, assistance related to State debt and natural disaster relief. Details of these payments are presented below; additional information on these and other payments to the States classified under various functional headings in this Statement is contained in the White Paper *Payments To or For the States 1973-74*.

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
General Revenue Assistance—					
Financial Assistance Grants ..	1,418.5	1,440.9	1,647.3	1,790.6	+143.3
Special Grants ..	18.7	23.8	38.6	38.6	— 0.1
Special Revenue Assistance ..	43.0	55.0	—	25.0	+ 25.0
Special Advances ..	—	17.5	15.0	—	— 15.0
Less repayments ..	—	—	—	8.5	+ 8.5
Total ..	1,480.2	1,537.2	1,700.9	1,845.7	+144.8
State Government Loan Council Programs—					
Interest-free Capital Grants ..	200.0	219.1	248.5	278.3	+ 29.8
Advances ..	481.5	672.9 ^a	733.5 ^b	588.7	—144.8
Less Sinking Fund Receipts ..	115.1	123.3	132.2	141.3	+ 9.1
Total ..	566.4	768.7	849.8	725.7	—124.1
Assistance related to State Debts—					
Interest on State Debts ..	15.2	15.2	15.2	15.2	..
Sinking Fund on State Debts ..	24.6	26.3	28.0	29.6	+ 1.7
Debt Charges Assistance ..	11.5	23.0	34.5	46.0	+ 11.5
Total ..	51.2	64.5	77.7	90.8	+ 13.2
Natural Disaster Relief—					
Drought Relief ..	14.2	1.7	..	..	..
Fire, Flood, Cyclones and Other Disasters ..	5.8	5.5	..	..	..
Less Repayments ..	4.9	4.9	5.3	5.8	+ 0.4
Total ..	15.1	2.4	—5.3	—5.7	— 0.5
TOTAL PAYMENTS TO STATES NEC AND NATURAL DISASTER RELIEF ..	2,113.0	2,372.8	2,623.1	2,656.5	+ 33.4

(a) Includes \$160 million subsequently allocated by the States for housing programs in 1971-72.

(b) Includes \$167 million subsequently allocated by the States for housing programs in 1972-73.

GENERAL REVENUE ASSISTANCE

General revenue assistance is untied and utilised for purposes determined by the States themselves. The financial assistance grants, which make up most of this assistance, are determined each year under a formula which takes account of increases in average wages in Australia as a whole and of the increase in population in each State.

It should be noted that year-to-year comparisons of general revenue assistance are affected by some significant changes in the arrangements under which those grants are paid. Thus, beginning in 1971-72 the grants have been reduced to take into account the transfer of pay-roll tax to the States in September 1971 while the estimates for 1973-74 reflect the reductions (amounting to \$111.8 million) which the Australian and State Governments have agreed should be made in view of the assumption of full financial responsibility for tertiary education by the Australian Government from January 1974.

Special grants are paid on the recommendation of the Grants Commission to so-called 'claimant' States (presently Queensland, South Australia and Tasmania). The Commission's recommendations for grants in 1973-74, which total \$38.6 million, have been accepted by the Australian Government.

Special revenue assistance, additional to the financial assistance grants and the special grants, has been paid to the States in most recent years. An amount of \$25 million for 1973-74 was agreed to at the June 1973 Premiers' Conference.

Special repayable and interest-bearing advances were made in 1971-72 and 1972-73 to New South Wales having regard to the difficult budgetary situation faced by that State in those years. No such special advances are provided for in the 1973-74 Budget.

In aggregate and after allowing for reductions in respect of tertiary education, general revenue assistance (net) is estimated to increase by 8.5 per cent in 1973-74 to \$1,845.7 million.

STATE GOVERNMENT LOAN COUNCIL PROGRAMS

At its meeting in June 1973 the Loan Council approved a total program for the State Governments in 1973-74 of \$867.0 million, consisting of interest-free grants of \$278.3 million to be provided by the Australian Government and borrowing programs of \$588.7 million, which the Australian Government has undertaken to support.

The total program is lower than in 1972-73 because expenditures on welfare-type housing, which have previously been financed from within the State Loan Council programs, will be financed in 1973-74 and subsequent years by advances, outside the Loan Council arrangements, under a new Housing Agreement and because of reductions to the programs on account of changed arrangements for financing tertiary education; *if adjustments are made to make figures in both years comparable there would be an increase of \$84.7 million or 10.4 per cent in the 1973-74 program.* The relevant outlays on welfare housing and tertiary education are discussed under the functions Housing and Community Amenities and Education respectively.

ASSISTANCE RELATED TO STATE DEBTS

Under the Financial Agreement the Australian Government pays \$15.2 million each year to the States as a contribution towards interest payable on their debts and also contributes sinking fund payments. The sinking fund payments in 1973-74 are estimated to total \$29.6 million.

Debt charges assistance grants are being made in accordance with an undertaking by the Australian Government to meet the debt charges on \$200 million of State debt in 1970-71 and a further \$200 million each year from 1971-72 to 1974-75. Grants totalling \$46 million will be made for this purpose in 1973-74.

NATURAL DISASTER RELIEF

The only natural disaster relief payments made in 1972-73 were \$40,000 paid to Victoria for flood relief in the Seymour and other areas, and \$27,000 expended on freight subsidies for drought relief in the Northern Territory. Further small payments to Victoria for flood relief and to the Northern Territory for freight subsidies are expected to be made in 1973-74. There are currently no other commitments that will require payments by the Australian Government for natural disaster relief or restoration in 1973-74.

B. PUBLIC DEBT INTEREST

This heading brings together interest payments made from the budget sector to other sectors, including interest payments on government securities, and under defence credit arrangements with other countries. Interest received by Government Trust Funds on Australian Government securities held as investments and cash balances is offset against gross interest payments.

Details are set out in the following table:

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase - Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Gross Interest Paid on Australian Government Securities(a)	643.1	696.9	746.9	791.2	+ 44.4
Loan Defence Acts Interest(a)	14.0	14.1	11.9	10.1	- 1.8
Other Interest Payments	0.9	1.1	1.1	1.0	..
Gross Interest Payments	658.0	712.0	759.9	802.4	+ 42.5
Less Interest on Government Securities and cash balances held by the Australian Government on its own behalf—					
Loan Consolidation and Investment Reserve	72.5	88.7	78.1	89.0	+ 10.9
Other	9.0	7.6	7.7	9.5	+ 1.8
TOTAL PUBLIC DEBT INTEREST	576.4	615.7	674.0	703.9	+ 29.8

(a) Includes commitment fees on aircraft and defence borrowings.

Gross Interest Paid on Australian Government Securities

The figure for gross interest paid on Australian Government securities comprises interest on all Australian Government securities on issue except for interest on defence borrowings. It includes interest paid on securities recorded at State Registries and also interest on advances for housing, railways and War Service Land Settlement that is reimbursed by the States to the Australian Government.

Loan Defence Acts Interest

Interest payments on loans raised in the United States for defence equipment purchases are estimated to decline by \$1.8 million in 1973-74.

Loan Consolidation and Investment Reserve

Interest is received by the Loan Consolidation and Investment Reserve on investments in Australian Government securities which were mainly issued in Special Loans to assist State works programs.

Other

Interest is received by other Australian Government Trust Funds, including the National Welfare Fund and the National Debt Sinking Fund, on investments in Australian Government securities and cash balances.

C. PROVISION FOR AUGUST 1973 SALARY INCREASES

Following negotiations between unions and the Public Service Board, pay increases of 16 per cent for Second Division officers and 12 per cent for Third Division officers were offered by the Board in early August 1973. The increases become payable from 23 August 1973.

A bulk provision of \$32.5 million to cover the additions to salary has been included in *Appropriation Bill (No. 1) 1973-74* on the basis that particulars of the allocation of costs to departments will be shown in Additional Estimates which will be presented to the Parliament in the Autumn Session 1974.

STATEMENT No. 5—ESTIMATES OF RECEIPTS, 1973-74

On the basis of *existing* rates of taxes and other charges, it is estimated that total receipts in 1973-74 would amount to \$11,142 million, which would be an increase of 17.0 per cent on actual receipts in 1972-73.

Taking into account the effects of the measures announced in the Budget Speech, however, total receipts are estimated to amount to \$11,481 million in 1973-74, an increase of 20.6 per cent on actual receipts in 1972-73. The effect of the new measures announced in the Budget Speech on receipts in 1973-74 and in a full year are shown in the following schedule:

Proposal	Estimated Increase in Receipts	
	1973-74	Full Year
	\$ million	\$ million
Customs and Excise—		
Reductions in duty-free allowances of tobacco products and liquor for incoming passengers(a)	0.77	1.03
Reduction in wastage allowance on imported tobacco leaf(a)	1.70	2.00
Increase in dutiable contents of beer containers(a)	5.60	6.80
First stage in increasing duty on brandy to same level as for other potable spirits(a)	1.40	(b) 5.10
Increase in duty on tobacco products	63.07	75.68
Increase in duty on potable spirits	30.00	36.00
Increase in duty on motor spirit	112.20	134.60
Increase in duty on diesel fuel	10.70	12.90
Increase in duty on aviation fuels(a)	7.50	9.10
Total Customs and Excise	232.94	283.21
Sales Tax—		
Discontinue exemption on non-alcoholic carbonated beverages containing not less than 5 per cent Australian fruit juice(a)	19.00	25.00
Income Tax—		
Impose tax on age pensions	8.00	95.00
Abolish income tax age allowance(a)		12.00
Allow transitional age rebate		(c) -73.00
Limit deduction for local authority rates to \$300(a)	—	3.00
Reduce Section 115 deduction for life insurance companies from 3 per cent to 2 per cent(a)	—	23.00
Discontinue deductibility of gifts for 'war memorials'(a)	—	2.00
Discontinue the exemption of dividends paid from petroleum profits(a)	0.50	11.00
Discontinue the exemption of income from sale of mining rights and dividends paid from such income(a)	—	0.20
Discontinue the exemption of 20 per cent of profits (and dividends paid from such profits) from mining certain prescribed minerals(a)	—	6.00
Discontinue the exemption of profits (and dividends paid from such profits) from gold mining(a)	—	4.00
Phase out by three annual steps beginning at the end of 1973-74, the special basis of valuation for trading stock manufactured from grapes(a)	—	(b)(d) 15.00
Discontinue the investment allowance for manufacturing industry(a)	—	(e) 60.00

Proposal	Estimated Increase in Receipts	
	1973-74	Full Year
	\$ million	\$ million
Discontinue the provisions for accelerated depreciation of plant used in primary production(a)	—	(e)(f) 10.00
Discontinue immediate deductibility of certain capital expenditure by primary producers and the double deduction of expenditure on clearing and development of primary production land(a) ..	—	(e)(f) 17.00
Discontinue the investment allowance for primary producers(a) ..	—	(e) 10.00
Alter the basis of the Section 46 rebate as applied to life insurance companies(a)	—	4.00
Increase tax rate for dividend income of non-resident companies to general rate(a)	0.05	0.05
Increase rates of tax on mutual income of insurance companies to the general rate(a)	3.20	3.20
Increase rates of tax on private companies to 45 per cent for 1972-73 income and 47.5 per cent for 1973-74 income(a) ..	50.00	(b) 90.00
Profits from the resale of property within twelve months of acquisition to be treated as assessable income	—	10.00
Total Income Tax	61.75	(g) 303.45
Pay-roll Tax—		
Increase pay-roll tax in ACT and NT to 3½ per cent from 1 September and to 4½ per cent from 1 July 1974(a)	1.80	5.50
Stamp Duties—		
Increase stamp duties in NT to ACT levels(a)	0.20	0.44
Other Receipts—		
Recoupment of cost of meat inspection services by charge on meat exports(a)	14.00	18.00
Recoupment of expenditure by Australian Government on the Bovine Brucellosis and Tuberculosis Eradication Scheme by charge on beef industry(a)	6.00	7.00
Increases in general rate and sewerage and water rates in the ACT(a)	1.92	2.75
Increases in ACT drivers licence and motor vehicle registration fees(a)	0.48	1.20
Increases in animal and plant quarantine charges(a)	0.50	0.70
Increases in broadcasting station licence fees(a)	0.12	0.12
Increases in charges of Bankruptcy Branch of Attorney-General's Department(a)	0.25	0.50
Interest to be paid by EPIC on capital advances(a)	0.16	0.32
Total Other Receipts	23.43	30.59
TOTAL NEW PROPOSALS	339.12	(g) 648.19

(a) Each of these matters was the subject of a separate 'Item' note in Part III of the Coombs Task Force report.

(b) Represents the estimated increase in receipts in a full year after the phasing in is completed.

(c) Represents full-year effect of transitional rebate as applied in 1973-74; phasing out arrangements have yet to be determined.

(d) Represents the estimated amount of tax presently deferred and to be recovered over three years.

(e) Owing to the transitional provisions adopted, the full-year estimates exceed the effect in 1974-75.

(f) As these measures remove a deferment of tax rather than an outright reduction, revenue increases of the amounts shown would not continue indefinitely.

(g) The increases in receipts have been estimated for each proposal independently. The combined effect of the proposals could differ from the total shown.

The following table compares estimated receipts in 1973-74 with actual receipts in the three preceding years.

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
General Taxation Revenue—					
Customs Duty	465.7	467.9	513.5	563.8	+ 50.3
Excise Duty	1,053.3	1,212.0	1,268.4	1,548.9	+ 280.5
Sales Tax	633.2	682.8	765.0	889.0	+ 124.0
Income Tax—					
Individuals—					
Gross PAYE	2,939.1	3,492.1	3,777.1	4,685.0	+ 907.9
Less Refunds	507.0	603.5	616.4	745.0	+ 128.6
Net PAYE	2,432.1	2,888.5	3,160.7	3,940.0	+ 779.3
Other	746.1	880.0	928.8	1,238.5	+ 309.7
Companies	1,395.4	1,477.5	1,561.3	1,863.3	+ 302.0
Withholding Tax—					
Dividends	36.0	42.0	51.2	55.0	+ 3.8
Interest	12.3	15.6	21.4	25.0	+ 3.6
Pay-roll Tax	295.4	99.1	6.3	9.3	+ 3.0
Estate Duty	70.1	67.3	66.4	60.1	— 6.4
Gift Duty	7.8	8.5	6.9	7.5	+ 0.6
Stamp Duty (ACT and NT)	2.7	2.7	3.8	4.5	+ 0.7
Total General Taxation Revenue	7,150.0	7,844.0	8,353.7	10,204.8	+1,851.2
Other Taxes, Fees and Fines	100.0	122.2	138.8	200.5	+ 61.8
Interest, Rent and Dividends	800.8	884.9	950.6	1,007.1	+ 56.4
Net Receipts from Government Enterprise Transactions	53.5	54.9	31.0	13.2	— 17.8
Sale of Assets	23.0	41.4	46.7	55.6	+ 9.0
TOTAL RECEIPTS	8,127.2	8,947.3	9,520.7	11,481.2	+1,960.5

GENERAL TAXATION REVENUE

Total general taxation revenue is estimated to increase by \$1,851.2 million or 22.2 per cent to \$10,204.8 million in 1973-74. The main changes in estimated taxation collections compared with actual collections in 1972-73 are described below.

Customs Duty. At present rates of duty collections in 1973-74 are estimated to total \$540 million, an increase of 5.2 per cent on collections in 1972-73. This estimate allows for the effect of the 25 per cent reduction in all 'non-revenue' duty rates announced on 18 July and for the very strong growth forecast in imports in 1973-74. After allowing for the effects of the new measures listed in the above schedule of proposals, collections are estimated at \$563.8 million in 1973-74, an increase of 9.8 per cent compared with collections in 1972-73.

Excise Duty. The strong rate of increase in consumer demand in prospect in 1973-74 is expected to lead to a slightly higher rate of growth in excise collections than occurred last year. At existing rates of duty collections are estimated to increase by 5.6 per cent in 1973-74,

following an increase of 4.7 per cent in 1972-73. Allowing for the effects of the measures announced in the Budget Speech collections are expected to increase by 22.1 per cent to \$1,548.9 million. The main components of the estimate for 1973-74 are as follows:

	1972-73 Actual	1973-74 Estimate	Increase	
	\$ million	\$ million	\$ million	Per cent
Beer	420	443	23	5.5
Tobacco products	328	398	69	21.1
Motor spirit	420	564	144	34.2
Other	100	144	44	44.2
TOTAL	1,268	1,549	281	22.1

Sales Tax. The sale values of most goods subject to sales tax, and particularly passenger motor vehicles, are estimated to increase more strongly in 1973-74 than they did in 1972-73. On the basis of existing legislation, sales tax collections would be expected to increase by 13.7 per cent to \$870 million in 1973-74. The measure announced in the Budget Speech is estimated to add a further \$19 million to collections in 1973-74 bringing total collections to \$889 million, or 16.2 per cent higher than in 1972-73.

Income Tax—Individuals. Before allowing for the changes announced in the Budget Speech, net collections of income tax from individuals in 1973-74 are estimated to increase by 26.4 per cent to \$5,170 million. Allowing for the measures announced in the Budget Speech, collections in 1973-74 are estimated at \$5,178.5 million, or \$1,089.0 million more than in 1972-73.

- (a) **Pay-as-you-earn Instalment Deductions.** On the basis of *existing* legislation, gross pay-as-you-earn instalment deductions in 1973-74 are estimated to amount to \$4,680.0 million, an increase of 23.9 per cent over 1972-73. For the purpose of estimating pay-as-you-earn collections, an increase in 1973-74 of 13 per cent in average earnings and 3.5 per cent in average employment (both expressed in male units) has been assumed. While the average earnings assumption takes account of the rise in average earnings that has already occurred, it does not imply that the trend in earnings for the remainder of the year can be forecast precisely, nor does its use imply that the assumed increase is in any way a budget objective. The measures announced in the Budget Speech are estimated to increase gross collections from this source by \$5 million to \$4,685.0 million in 1973-74.

Refunds of pay-as-you-earn tax instalment deductions in 1973-74 are estimated to increase by 20.9 per cent to \$745.0 million. This estimated increase reflects the over-deduction of tax instalments from wages and salaries prior to the introduction of revised tax instalment schedules which operated from 1 September 1972, together with other factors, including increased deductions from 1972-73 taxable incomes for dependants and the deductions for self-education expenses introduced in last year's budget.

The estimate for net PAYE collections in 1973-74 is therefore \$3,940.0 million, an increase of \$779.3 million or 24.7 per cent.

- (b) **Other.** On the basis of *existing* legislation, collections on assessments of individuals in 1973-74 are estimated to increase by 33.0 per cent to \$1,235.0 million. This increase largely reflects the very strong growth—estimated at approximately 50 per cent—in the business incomes of primary producers in 1972-73; in this category of taxpayers it is 1972-73 incomes, of course, that are subject to tax in 1973-74. The measures announced in the Budget Speech are estimated to add \$3.5 million to collections this year, bringing estimated total collections from this source to \$1,238.5 million.

Income Tax—Companies. Incomes of companies in 1972–73, which are subject to tax in 1973–74, are estimated to have increased by 13.0 per cent following an increase of 7.8 per cent in 1971–72. On an existing policy basis collections of income tax from companies in 1973–74 are estimated at \$1,810 million, an increase of 15.9 per cent. Allowing for the measures announced in the Budget Speech, collections from this source are estimated to increase to \$1,863.3 million, or 19.3 per cent more than in 1972–73.

Pay-roll Tax. Collections of pay-roll tax in the Australian Capital Territory and Northern Territory are estimated to increase by \$3.0 million to \$9.3 million in 1973–74. The increases announced in the Budget Speech are estimated to account for \$1.8 million of the increase.

Estate Duty. Collections of estate duty in 1973–74 are estimated at \$60.1 million, 9.4 per cent less than collections in 1972–73. The decline in collections is attributable largely to the full-year cost to revenue of the doubling of all statutory exemptions introduced in the 1972–73 Budget.

OTHER TAXES, FEES AND FINES

	1970–71 Actual	1971–72 Actual	1972–73 Actual	1973–74 Estimate	+ Increase – Decrease on 1972–73
	\$ million	\$ million	\$ million	\$ million	\$ million
Unfunded Employee Retirement Contributions	—	—	0.9	25.1	+24.2
Stevedoring Industry Charge	13.2	16.3	18.0	18.5	+ 0.6
Primary Industry Charges and Levies—					
Wool Tax	5.6	5.5	11.2	22.0	+10.8
Butter Fat and Dairy Research Levies	2.2	2.1	2.2	2.4	+ 0.1
Livestock Slaughter Levies	3.2	4.5	5.1	5.1	..
Poultry Industry Levy	12.8	13.0	13.0	11.6	– 1.4
Meat Exports Charge	—	—	—	14.0	+14.0
Other	3.5	3.7	3.8	10.5	+ 6.7
Broadcasting and Television Services—					
Listeners and Viewers Licences	49.6	61.8	67.1	68.4	+ 1.3
Other	3.0	3.9	4.1	4.6	+ 0.6
Mainland Territories—					
Rates	3.4	7.8	9.5	12.0	+ 2.5
Other	4.4	5.0	5.6	7.2	+ 1.6
Other	2.8	3.2	4.3	5.4	+ 1.1
Less Remissions of Taxes, Fees and Fines	3.8	4.6	5.9	6.4	+ 0.5
TOTAL OTHER TAXES, FEES AND FINES	100.0	122.2	138.8	200.5	+61.8

Receipts classified under this heading include income and capital transfers which are essentially of a governmental nature and involve regulation or compulsory payment or which are primarily to raise revenue. Included are miscellaneous taxes, regulatory fees, fines and unfunded employee contributions to retirement benefit schemes.

Total other taxes, fees and fines are estimated to increase by 44.5 per cent to \$200.5 million in 1973–74. The larger variations, some of which reflect new measures announced in the Budget Speech, are mentioned below.

Unfunded Employee Retirement Contributions. This item consists primarily of Defence Forces Retirement and Death Benefits contributions. These contributions were paid into a separate fund prior to the introduction of the present arrangements in the closing months of 1972–73.

Primary Industry Charges and Levies. Receipts under this heading consist of proceeds from compulsory levies or taxes on specific industries. In many instances these receipts are employed, along with contributions from the Government, to assist the industries involved, mainly by way of research, promotion and stabilization activities. The estimated increase of \$10.8 million in wool tax collections reflects the increase in the rate of wool tax (from 1.0 per cent to 2.4 per cent) effective from 1 July 1973, which is estimated to more than offset the effects of a forecast decrease in the value of wool sold in 1973-74.

As announced in the Budget Speech, the Government has decided to impose a charge of 1 cent a lb on meat exports to recoup the costs of the meat inspection service. This charge, which will be effective from 1 October, is estimated to yield \$14.0 million in 1973-74. It was also announced in the Budget Speech that the Government had decided to recoup from the beef industry expenditure incurred in the campaign to eradicate bovine brucellosis and tuberculosis; the amount to be recouped in 1973-74—approximately \$6.0 million—is included under the heading 'Other'.

INTEREST, RENT AND DIVIDENDS

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Interest Received—					
From the States—					
Interest on advances for State works and housing	480.0	537.1	567.5	599.5	+32.0
Interest received on special ad- vances	—	0.7	0.7	1.6	+ 0.9
Interest received on specific pur- pose advances—					
Housing Agreements	70.8	77.5	77.3	77.4	..
Other	12.6	13.2	15.9	18.2	+ 2.3
Total	563.3	628.4	661.3	696.6	+35.3
Other Interest Receipts—					
From the Territories—					
Housing	7.8	8.6	13.5	11.4	— 2.0
Other	0.9	0.8	0.7	0.8	..
Defence Service Homes	34.5	35.0	35.5	36.4	+ 0.9
Snowy Mountains Hydro-electric Authority	30.2	31.4	38.9	40.8	+ 1.9
Australian Coastal Shipping Commission	1.9	1.8	2.3	2.6	+ 0.3
Australian Wheat Board	5.8	5.0	2.7	—	— 2.7
Post Office	123.7	141.8	157.9	179.0	+21.1
Qantas Airways Limited	5.0	7.0	8.0	7.2	— 0.7
Australian National Airlines Commission	2.3	2.6	2.4	2.4	..
Other	1.8	5.5	13.1	14.8	+ 1.7
Total	213.8	239.7	275.0	295.5	+20.5
Total Interest Receipts	777.1	868.1	936.3	992.1	+55.7

—	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+Increase —Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Rent, Dividends, etc.—					
From the Territories	2.4	0.7	0.7	0.7	..
Qantas Airways Limited—Dividend ..	3.9	3.0	—	—	—
Australian National Airlines Commission—Dividend	1.3	1.5	1.5	1.5	—
Overseas Telecommunications Corporation—Dividend	7.4	2.0	2.6	3.5	+ 0.9
Offshore Petroleum Royalties	5.0	7.5	7.9	8.0	+ 0.1
Other	3.7	2.1	1.6	1.3	— 0.3
Total	23.6	16.8	14.3	15.0	+ 0.7
TOTAL INTEREST, RENT AND DIVIDENDS ..	800.8	884.9	950.6	1,007.1	+56.4

All interest received by the Australian Government from sources outside the budget sector is included under this heading, together with land rents collected in the Territories and dividends received from Government-owned companies and corporations. Increased interest receipts from advances made to the States for works and housing, and from the Post Office, account for most of the estimated increase in 1973-74.

NET RECEIPTS FROM GOVERNMENT ENTERPRISE TRANSACTIONS

—	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+Increase —Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Reserve Bank of Australia—Profit ..	41.6	43.2	20.2	—	—20.2
Commonwealth Banking Corporation—Dividend	3.8	5.7	6.1	7.4	+ 1.3
Commonwealth Railways	5.3	3.0	2.2	2.8	+ 0.6
Other	2.8	3.0	2.6	3.0	+ 0.4
TOTAL	53.5	54.9	31.0	13.2	—17.8

This heading covers withdrawals (other than taxation receipts) from public financial enterprises, such as the Reserve Bank and Commonwealth Banking Corporation. In addition, the operating revenues, net of operating expenses, of activities carried on as business type enterprises are included to the extent that the transactions are recorded in budget sector cash accounts.

As a consequence of the effects on its profits of changes in international currency values, the Reserve Bank is not expected to pay any profit to Consolidated Revenue in 1973-74.

SALE OF ASSETS

	1970-71 Actual	1971-72 Actual	1972-73 Actual	1973-74 Estimate	+ Increase — Decrease on 1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million
Australian Capital Territory—					
Sale of Leases	16.2	18.9	39.9	48.5	+ 8.6
Northern Territory—Sale of Land and					
Leases	0.8	1.4	2.4	1.0	— 1.4
Other	6.0	21.1	4.3	6.1	+ 1.8
TOTAL	23.0	41.4	46.7	55.6	+ 9.0

Most of the estimated increase in receipts from the sale of assets in 1973-74 is attributable to an estimated increase of \$8.6 million from lease sales in the Australian Capital Territory.

STATEMENT No. 6—BUDGET RESULT, 1972-73.**SUMMARY**

The budget estimates and outcome for 1972-73 are summarised in the table below:

						1972-73 Budget Estimate	1972-73 Actual	Change on Budget Estimate	
						\$ million	\$ million	\$ million	Per cent
Expenditures	..	.	..	..	..	10,078	10,222	144	1.4
Receipts	..	..	..	..	..	9,447	9,448	..	..
Deficit	..	..	..	..	..	— 630	— 774	— 144	

In this Statement the comparison of actual expenditures and receipts in 1972-73 with the budget estimates is in terms of the so-called 'conventional' classification of budget transactions, in contrast to the functional classification adopted for the presentation of the budget estimates this year. (The functional classification is discussed in Statement No. 8). The departure here from the functional classification is made partly because the 1972-73 Budget estimates were presented in these terms and partly because detailed data are not available to enable the 1972-73 Budget estimates to be converted accurately to the functional basis.

The overall budget result in 'conventional' terms was a deficit of \$774 million, compared with the original budget estimate of \$630 million. Actual receipts were virtually the same as the budget estimates while expenditures were \$144 million—or 1.4 per cent—greater than the budget estimate.

The increase in the deficit was the outcome of a number of factors, including new expenditure commitments entered into by the previous Government after the presentation of the budget, new policy measures implemented by the present Government and increases in the costs of some programs.

Decisions taken by the previous Government after the budget, including the decision to provide a special advance of \$15 million to New South Wales to assist that State's budgetary position, added about \$21 million to expenditures. New measures implemented, for social and economic reasons, by the present Government included increases in social service pensions and unemployment and sickness benefits, and additional employment-creating grants to the States.

These and other changes from the budget estimates are discussed more fully below.

EXPENDITURES

The budget estimates of expenditure for 1972-73 are compared with actual expenditures in the following table:

	1972-73 Budget Estimate	1972-73 Actual(a)	Change on Budget Estimate	
	\$ million	\$ million	\$ million	Per cent
Defence Services(b)	1,323	1,285	- 38	- 2.9
Payments to or for the States and Works and Housing Programs	3,449	3,504	+ 55	+ 1.6
National Welfare Fund	2,078	2,197	+ 119	+ 5.7
Repatriation Services	388	399	+ 11	+ 2.8
Debt Charges	102	117	+ 15	+ 14.2
Departmental Running Expenses	703	724	+ 21	+ 2.9
Territories (excluding Papua New Guinea)	141	149	+ 8	+ 5.7
External Economic Aid (including Papua New Guinea)	205	206	+ 1	+ 0.5
Payments to Industry	367	351	- 16	- 4.3
Other Expenditures	535	542	+ 7	+ 1.3
Advances for Capital Purposes	522	475	- 47	- 9.0
Other Capital Works and Services	264	272	+ 9	+ 3.3
Total Expenditures	10,078	10,222	+ 144	+ 1.4

(a) Because of the effects of the changes in administrative arrangements which occurred during the year, the division between 'Departmental Running Expenses' and 'Territories (excluding Papua New Guinea)' is approximate only and for comparative purposes these items are best treated together.

(b) The budget estimate for 1972-73 included \$71 million for payments to be financed under credit arrangements with the United States of America; the actual amount financed from this source was \$58 million, including \$7 million financed from moneys which have accumulated in the Loan Fund as a result of refunds obtained from United States authorities because of price reductions and cancellations, etc., in respect of orders placed in earlier years.

Defence Services

Total expenditure on defence services was \$38 million less than the budget estimate. Service pay and civil salaries were \$37 million more than the budget estimate—despite a saving of \$15 million arising from the abolition of National Service—mainly because of the implementation of the Woodward Committee recommendations on service pay, the introduction of the re-engagement bonus for servicemen, and civilian salary and wage determinations made after the budget. This increase, however, was more than offset by shortfalls in other areas. Expenditures on general stores for the RAN and on stores and equipment for the RAAF were, respectively, \$15 million and \$10 million less than the budget estimates; these changes reflect a variety of factors, including revisions of requirements, delayed deliveries and the impact of exchange rate adjustments. Delays in deliveries of spares, and reduced requirements for ammunition and other items, contributed to a shortfall of \$12 million in expenditure on arms, armament and equipment for the Army. Expenditure on the purchase and manufacture of aircraft for the RAAF and RAN was \$11 million less than the budget estimate, mainly because of re-phasing of expenditure on helicopters. Industrial disputes in the United Kingdom, production difficulties in Australia and revised requirements were the main factors contributing to the shortfall of \$11 million on naval construction. A revision of requirements led to expenditure on the provision of accommodation and technical facilities being \$10 million less than the estimate. Exchange rate adjustments were mainly responsible for payments of interest on United States credit purchases being \$3 million less than the estimate.

Payments to or for the States and Works and Housing Programs

Payments to or for the States and works and housing programs exceeded the budget estimate by \$55 million. Post-budget policy measures were the major factors producing this increase.

General revenue payments were \$9 million more than the estimate. A major factor, mentioned earlier, was the previous Government's post-budget policy decision to provide a special loan of \$15 million to New South Wales to assist that State's budgetary position. This increase was partly offset by a reduction in financial assistance grants, compared to the budget estimate, of \$6 million resulting from the fact that increases in State populations were lower than had been assumed when making the budget estimates.

Specific purpose payments were \$46 million more than the budget estimate. In addition to the \$72 million allocated in the 1972-73 Budget for relief of non-metropolitan unemployment, the present Government provided a further \$32 million for relief of unemployment in both metropolitan and non-metropolitan areas. Specific purpose payments to the States for education were \$10 million greater than estimated in the budget; grants for universities were \$12 million greater and payments for colleges of advanced education \$2 million less. Increases in academic salaries and the introduction of assistance to needy students contributed to increases in grants to tertiary institutions.

Payments to the National Welfare Fund

Payments to the National Welfare Fund were a net \$119 million greater than was estimated in the budget. Social service payments in excess of budget estimates accounted for \$114 million of this increase. Age, invalid and widows pensions were \$95 million more than the estimate as the result of the increase of \$1.50 in pension rates operative from the first pension pay period in December 1972 and the greater than expected increase in the number of pension recipients following the substantial easing of the means test in the 1972-73 Budget. Payments of unemployment and sickness benefits were \$20 million greater reflecting the increase in the rates of benefit announced in January 1973 and a higher than forecast number of recipients.

Expenditures on national health services were a net \$10 million greater than the budget estimate. Payments of medical benefits exceeded the estimate by \$12 million, mainly because of a greater than expected growth in the utilisation of medical services and a trend towards higher cost services. The main cause of an increase of \$4 million over the estimate for hospital benefit payments was an unexpected growth in the payment of special account deficits. Payments of nursing home benefits exceeded the estimate by \$6 million, reflecting a greater than anticipated increase in both available bed capacity and occupancy rates. These increases were partly offset by shortfalls in some other items. Payments of pharmaceutical benefits, including benefits to pensioners, were \$9 million less than the estimate, mainly because two States did not submit final claims in time for payment during the financial year. Payments of the domiciliary care benefit were \$3 million less than the estimate because fewer applications for the new benefit were received than had been expected.

Payments for homes savings grants fell short of the estimate by \$5 million. The number of grants approved and the value of grants made following amendment of the Homes Savings Grant Act were less than expected at the time the budget estimates were made.

Repatriation

Expenditures on repatriation services exceeded the budget estimate by \$11 million. Repatriation pensions accounted for \$9 million of the increase and reflected increased rates of benefit announced in January 1973. Expenditure on repatriation institutions was \$2 million greater than expected, with increased costs from wage and salary determinations for staff being the main cause.

Debt Charges

Debt charges expenditures were \$15 million greater than estimated. Payments of interest under the Inscribed Stock Act were \$14 million greater, sales of Treasury Notes during the year having been significantly greater than forecast.

Departmental Running Expenses and Territories (excluding Papua New Guinea)

Expenditure on departmental running expenses and the Territories (excluding Papua New Guinea) combined exceeded the budget estimate by \$29 million; most of the increase was attributable to higher wages and salaries as a result of arbitration and other determinations brought down after the budget was presented.

External Economic Aid (including Papua New Guinea)

Total expenditure on external economic aid was close to the budget estimate. Higher than expected wheat prices increased the cost of Australia's food aid commitment under the International Wheat Agreement by \$3 million. On the other hand, \$3 million less than had been expected was paid to the International Development Association.

Payments to Industry

Total payments to industry were \$16 million less than the budget estimate. Shortfalls occurred in respect of export incentive grants and rebates (\$10 million), wheat industry stabilization payments (\$6 million), expenditures for rural reconstruction (\$5 million), net shipbuilding subsidy payments (\$3 million), and petroleum search subsidy payments (\$2 million). In addition, only a very small part of the budget allocation of \$2 million for fruit-growing reconstruction was utilised by growers. Partly offsetting these shortfalls, payments of the phosphate fertilizer bounty and the nitrogenous fertilizer bounty were \$11 million and \$3 million, respectively, more than estimated, reflecting the general improvement in conditions in rural areas.

Other Expenditures

Other expenditures exceeded the budget estimate by a net \$7 million. An additional payment of \$11 million to the Aboriginal Advancement Trust Account was made by the present Government. Expenditure for wool research and promotion was \$5 million greater than the estimate, essentially because of higher than forecast wool prices in 1972-73. Increased operating costs were responsible for broadcasting and television services expenditure being \$3 million more than the estimate. Expenditure on Australian Government scholarships was \$5 million greater than the estimate, reflecting in part Government decisions to extend the Aboriginal secondary grants scheme and to introduce a scheme of pre-school teacher scholarships; the scheme of allowances to assist in the education of geographically isolated children, introduced as from the beginning of 1973 increased expenditure by almost \$3 million. The largest shortfall occurred in expenditure for assisted passages which was \$12 million less than the estimate, largely as a consequence of the Government's adjustment of the 1972-73 migration program. The estimate for war service land settlement included \$3 million to assist some South Australian soldier settlers by way of debt refinancing and advances of working capital, but with the improvement in rural conditions few settlers took advantage of the scheme resulting in a shortfall of almost \$3 million.

Advances for Capital Purposes

Advances for capital purposes were \$47 million less than the budget estimate. Provision was made in the budget for an advance of \$25 million to the Australian National Airlines Commission for proposed new superannuation arrangements but in the event these arrangements were not implemented and the advance was not required. An amount of \$20 million was also provided in the estimates for rural lending but the necessary arrangements were not completed in time for this advance to be made in 1972-73. Housing advances in the Australian Capital Territory fell short of the estimate by \$7 million, reflecting in part a higher rate of discharge of mortgages than was forecast and the ready availability of finance from alternative sources. Advances to Qantas, however, exceeded the estimate by \$6 million, mainly because of changes in borrowing arrangements for the purchase of a sixth Boeing 747. Defence Service Homes advances were \$4 million greater than the estimate; this reflected changes in the legislation and the Government's desire to avoid an increase in the waiting period for housing loans.

Other Capital Works and Services

Other capital works and services exceeded the budget estimate by a net \$9 million. Actual expenditure included \$10 million for the purchase of pipe for the Moomba-Sydney pipeline which was not foreseen when the budget was drawn up. A site for a new chancery was purchased in Paris at a cost of \$7 million; no provision had been made for this in the budget. Payments to the NCDC were \$6 million greater than the estimate and for the most part reflected movements in wages and prices that occurred after the budget was introduced.

These increases were partly offset by small shortfalls in a large number of items, the largest being for capital expenditure by the Commonwealth Railways which was \$4 million less than the budget estimate.

RECEIPTS

The budget estimates for 1972-73 are compared with actual receipts in the following table:

	1972-73 Budget Estimate	1972-73 Actual	Change on Budget Estimate	
			\$ million	Per cent
Taxation Revenue—	\$ million	\$ million		
Customs Duty	525	513	— 12	— 2.2
Excise Duty	1,283	1,268	— 15	— 1.1
Sales Tax	737	765	+ 28	+ 3.9
Income Tax—				
Individuals—				
Gross PAYE	3,798	3,777	— 21	— 0.6
Less Refunds	520	616	+ 96	+ 18.5
Net PAYE	3,278	3,161	— 117	— 3.6
Other	930	929	— 1	— 0.1
Companies	1,500	1,561	+ 61	+ 4.1
Withholding Tax—				
Dividends	44	51	+ 7	+ 16.4
Interest	20	21	+ 1	+ 7.0
Pay-roll Tax	6	6	+ 1	+ 15.2
Estate Duty	67	66	— 1	— 1.0
Gift Duty	8	7	— 1	— 14.3
Stamp Duty (ACT and NT)	4	4	..	— 6.0
Total Taxation Revenue	8,401	8,354	— 47	— 0.6
Other Revenue	785	816	+ 31	+ 4.0
National Debt Sinking Fund	173	174	+ 1	+ 0.7
Net Increase in other balances of the Government in the Trust Fund	89	104	+ 15	+ 16.6
Total Receipts	9,447	9,448	..	..

The main variations from budget estimates are discussed below.

Customs Duty

Customs duty collections fell short of the budget estimate by \$12 million. The abolition, from 1 February 1973, of British preferential duty on goods entering under by-law is estimated to have resulted in a reduction of approximately \$10 million in customs revenues in 1972-73.

Excise Duty

Excise duty collections were \$15 million less than the budget estimate. The abolition of the excise duty on wine from December 1972 is estimated to have cost \$4 million in 1972-73. Clearances of motor spirit in 1972-73 were less than had been assumed in making the budget forecast.

Sales Tax

Sales tax collections exceeded the budget estimate by \$28 million. Sales of goods in the 2½ per cent and 15 per cent rate classes were both higher than forecast. Sales of motor vehicles were greater than forecast but sales of other goods in the 27½ per cent rate class were lower.

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

Gross collections of PAYE instalment deductions were \$21 million less than the budget estimate. The increase in average employment during 1972–73 was below what had been expected when forming the estimates. PAYE refunds were \$96 million more than the estimate, largely because concessional deductions (other than those for dependants) increased in 1971–72 by a greater amount than had been expected.

Income Tax—Companies

Company income tax collections were \$61 million above the budget estimate; both private and public company incomes in 1971–72 (assessed to tax in 1972–73) were greater than was expected.

Other Revenue

Other revenue was a net \$31 million more than the budget estimate. Receipts from the Australian Capital Territory were \$28 million greater, largely as a result of greater than estimated returns from the sale of leases.

Repayments of interest and principal on Defence Service Homes advances, net of refunds under Section 39A (2) of the Act, exceeded the budget estimate by \$15 million, because of a higher than anticipated rate of early discharge of mortgages.

Receipts from the wool tax were \$6 million greater than estimated as a result of higher than forecast wool prices.

A receipt of \$21 million had been included in the estimates for repayments under proposed new superannuation arrangements for the Australian National Airlines Commission but, as previously mentioned, these arrangements were not implemented.

Consolidated Revenue Fund receipts from Reserve Bank profits were \$5 million less than the estimate, mainly as a consequence of changes in international currency values during the year.

Net Increase in other balances of the Government in the Trust Fund

The net increase in other balances of the Government in the Trust Fund was \$15 million more than the budget estimate. Repayments of \$12 million from the Australian Wool Corporation together with an appropriation of \$1 million were paid into the Corporation's trust account in 1972–73. No expenditure was made from this account in 1972–73. Interest from the Loan Consolidation and Investment Reserve was \$9 million below the estimate while balances in munitions factories trust accounts increased by \$7 million more than had been estimated.

FINANCING TRANSACTIONS

The following table presents a summary of financing transactions in 1972-73:

	\$ million
Overseas—	
Net drawings under credit arrangements—	
Defence purchases in the United States of America	— 8
Qantas and Australian National Airlines Commission	— 7
Net proceeds of other overseas borrowing	— 50
	— 66
Australia—	
Net proceeds of loan raisings in Australia(a)	739
Net change in Treasury Notes on issue	165
Net repayment by Australian Wheat Board	65
	969
Other financing transactions (net)(b)	45
Residual financing—	
Use of cash balances(c)	— 175
	774
Total Financing Transactions	774

(a) Includes State domestic loan raisings.

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

(c) A negative sign signifies an increase in cash balances.

Some details of the 1972-73 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, 1971 and 1973 authorised the Government to finance defence equipment purchases in the United States of America on extended payment terms. In 1972-73 drawings under these arrangements totalled \$51 million. Repayments of previous drawings were \$59 million.

Net Drawings under Credit Arrangements—Qantas Airways Limited and the Australian National Airlines Commission

Drawings on aircraft loans on behalf of Qantas and the Australian National Airlines Commission amounted to \$18 million and \$13 million respectively; repayments of previous drawings for Qantas were \$24 million and for the Australian National Airlines Commission \$13 million.

Net Proceeds of Other Overseas Borrowing

Redemptions and other expenditure on the reduction of debt overseas totalled \$78 million, more than offsetting the proceeds of \$28 million from a Japanese loan. Two maturities in London were redeemed at a cost of \$28 million and a maturity in New York was redeemed at a cost of \$8 million. Securities to the value of \$30 million were repurchased in Germany, London, New York and Canada. Repayments of \$10 million were made on borrowings from the International Bank for Reconstruction and Development and \$2 million on borrowings from the United States Export-Import Bank.

Net Proceeds of Loan Raisings in Australia

Four Government public cash loans were raised in Australia in 1972-73. Excluding loan proceeds from advance subscriptions received up to 30 June 1972 but including receipts from outstanding instalments and advance subscriptions received up to 30 June 1973, the proceeds from these cash loans totalled \$793 million. Cash proceeds from the sale of Special Bonds during the year totalled \$109 million. Proceeds of \$68 million from State domestic

loan raisings and \$1 million from Drought Bonds brought total cash proceeds from loans raised in Australia to \$971 million. Of the \$718 million of securities (other than Special Bonds) maturing in Australia which were offered for conversion in 1972-73, an amount of \$129 million was redeemed. Redemptions of Special Bonds of all series amounted to \$86 million. Other redemptions, market repurchases and contractual repayments in Australia amounted to \$17 million. Total redemptions and repurchases in Australia were therefore \$232 million, so that net proceeds of loans raised in Australia in 1972-73 were \$739 million.

Net Change in Treasury Notes on Issue

As at 30 June 1973 Treasury Notes on issue amounted to \$425 million, a net increase of \$165 million on the amount on issue at 30 June 1972. The Treasury Notes on issue at 30 June 1972 included \$65 million to provide finance to the Australian Wheat Board; there were no Notes on issue at 30 June 1973 for this purpose. Treasury Notes on issue, other than for Wheat Board financing, therefore increased by \$230 million.

Net Repayments by the Australian Wheat Board

No advance was made to the Wheat Board in 1972-73. With repayments of \$65 million to the Government by the Wheat Board during 1972-73, there are now no advances outstanding to the Board. The repayments were applied to the redemption of Treasury Notes.

Other Financing Transactions

An amount of \$45 million was available from these transactions. The largest item was \$24 million relating to Post Office superannuation; a further \$13 million was available from coinage transactions.

Residual Financing

Largely because of the record net amount available from loan raisings in Australia, the proceeds of financing transactions mentioned above exceeded the deficit by \$175 million so that Government cash balances increased by this amount.

STATEMENT No. 7—BUDGET TRANSACTIONS SINCE 1963-64

Public Sector Outlays

In common with other western economies, increasing demand for public goods and services in Australia has been reflected in the growth in the size of the public sector over the past two decades or so. The public sector's *direct* claims on resources—that is, expenditures by all levels of government in Australia on goods and services—now account for over a fifth of gross national expenditure.

The public sector influences resource use in the economy in a number of ways. Its revenue-raising activities will, of course, influence private sector decisions on resource use as will regulatory activities such as tariffs, restrictive trade practices legislation, prices justification legislation and monopolies legislation. Although these latter activities utilise some resources in their day-to-day operations, their prime economic effect is on the broad framework within which the private sector operates. The public sector also operates, in various ways, as a unit of production and consumption and in this role, places large direct demands on resources, through its own expenditure programs. In addition, the public sector influences the demand for resources indirectly through transfers and advances to other sectors of the economy.

There is no meaningful single measure of the economic importance of government or the extent to which it influences the use of resources. From a demand management point of view, however, particular significance attaches to the public sector's direct claims on resources, in the form of *final* goods and services, i.e. the resources utilised in the provision of public goods, such as national defence, education and health. Transfers and advances from the public sector are also clearly very important in terms of economic management, but the impact on economic activity of these outlays depends on the reaction of the recipients in the private sector of the transfers and advances.

Total public sector expenditure on goods and services expressed as a proportion of gross national expenditure rose from 19.6 per cent in 1963-64 to 22.9 per cent in 1972-73, but it is noteworthy that the growth has been uneven. This may be seen in the following table which shows public sector expenditure on goods and services as a percentage of gross national expenditure.

Year	Public Sector Expenditure on Goods and Services as Percentage of GNE(a)(b)		
	Final Consumption Expenditure	Gross Fixed Capital Expenditure	Total
1963-64	10.5	9.1	19.6
1964-65	10.4	9.3	19.7
1965-66	11.3	9.8	21.1
1966-67	12.1	9.5	21.6
1967-68	12.7	9.6	22.3
1968-69	12.5	9.3	21.8
1968-69	12.5	9.2	21.7
1969-70	12.4	9.2	21.6
1970-71	12.9	8.9	21.8
1971-72	13.6	9.2	22.7
1972-73 (preliminary) ..	14.1	8.8	22.9

(a) Figures subsequent to 1968-69 incorporate minor revisions to national accounting estimates made in the White Paper *National Income and Expenditure* 1972-73, which have not been carried through to earlier years.

(b) General government consumption expenditure and gross national expenditure are adjusted to a 'deliveries' basis in the White Paper *National Income and Expenditure* 1972-73, presented concurrently with the Budget documents. This is to take account of the timing difference between payments for, and deliveries of, major items of defence equipment. In this Statement, however, both government final consumption expenditure and gross national expenditure are expressed on a 'payments' basis, in order to facilitate comparisons with *budget* expenditures on goods and services which are inclusive of payments for defence expenditures overseas.

Quite strong growth in public sector expenditures on goods and services relative to gross national expenditure occurred in the period 1965-66 to 1967-68 reflecting, among other things, sharply increased expenditure on defence. Following this period of growth, the share of public sector expenditures on goods and services was steady at a somewhat lower level before rising relatively sharply again in 1971-72, due largely to the slow-down in private sector activity during that year.

The overall growth in public sector expenditure on goods and services does, however, mask quite different trends in the major components of public sector expenditure. With the exception of the last two years of the 1960s, *final consumption* expenditure by the public sector as a proportion of gross national expenditure has increased steadily from 10.5 per cent in 1963-64 to 14.1 per cent in 1972-73. The share of public sector *capital* expenditure, on the other hand, after reaching a peak of 9.8 per cent in 1965-66 has declined to represent 8.8 per cent of gross national expenditure in 1972-73.

Australian Government Outlays

The contribution of the Australian Government and its authorities—as distinct from State and local governments—to recent growth in the size of the public sector has, of course, been dominated by the transactions of the budget sector. In 1972-73, for example, the budget's direct call on resources, in the form of final expenditure on goods and services, represented over 80 per cent of final expenditure by the Australian Government sector as a whole. Advances from the budget to Australian Government authorities would also finance a further significant part of final expenditures on goods and services, recorded in the non-budget sector. Expenditures on goods and services, however, represent only a moderate proportion of total budget outlays. The majority of budgetary transactions are transfer payments and advances to other sectors of the economy, including other government sectors. In 1972-73, transfer payments and net advances accounted for as much as 74 per cent of total budget outlays, of which close to half represented transfers and advances to State governments.

Table 1, attached to this Statement, shows budget transactions since 1963-64 on a national accounts basis. On this basis, transfers between different parts of the accounts of the Australian Government are eliminated and additional detail included so that the figures shown relate to the transactions which occur between the Australian Government and the rest of the economy, including other levels of government, and overseas. The national accounts figures therefore show government transactions classified into economically significant categories which are comparable to those presented in the White Paper *National Income and Expenditure* 1972-73.

An indication of the budget's potential for influencing the ultimate size of relative public sector demands is obtained by relating growth in budget outlays to growth in gross national expenditure. The following table compares the average annual rates of growth of the main components of budget outlays with the average annual rate of growth in gross national expenditure for the period since 1963-64:

	Average Annual Rate of Increase(a) 1963-64 to 1972-73
	Per cent per annum
Budget Outlays—	
Net expenditure on goods and services—	
Current	11.6
Capital	11.5
Transfer payments	11.4
Net advances	3.5
Total Budget Outlays	10.3
Gross National Expenditure	9.1

(a) The annual average growth rates shown in this and subsequent tables are trend rates of growth calculated by least squares regression.

With the exception of net advances, all the elements of budget outlays have grown at a faster annual average rate than gross national expenditure over the nine-year period. Within budget outlays, however, net expenditure on goods and services, both current and capital, has been the fastest growing component, averaging an annual rate of increase over the nine years to 1972-73 of 11.6 per cent and 11.5 per cent, respectively. As a result, the budget's *direct* call on resources expressed as a proportion of gross national expenditure has grown from 5.4 per cent in 1963-64 to 6.7 per cent in 1972-73.

The total economic impact of the budget on final demand for goods and services is not, however, reflected completely in these statistics. That is because, as noted earlier, a large part of budget outlays is in the form of transfer payments, such as payments of pensions, subsidies, interest and grants. The call on resources resulting from such payments will depend on the uses to which the recipients put the funds. Although it is not possible to specify precisely the final use of funds transferred from the budget, it is well known that many of the recipients have very high marginal spending propensities—in 1972-73 some 80 per cent of total transfer payments were directed either in the form of cash benefits to persons, no doubt to be spent primarily on consumption expenditure, or in the form of grants to the States, to finance expenditures such as works and housing programs, education and health services.

The budget also makes provision for the disbursement of funds in the form of advances. Two thirds of such advances were directed to State governments in 1972-73. A further third—or \$342 million—was distributed *within* the Australian Government sector itself in the form of advances to government instrumentalities operating outside the budget sector but under the cloak of the Australian Government. The main authorities concerned are the Post Office, the Australian National Airlines Commission, Qantas Airways Limited, the Snowy Mountains Hydro-electric Authority, the Overseas Telecommunications Commission, the Australian Wool Commission and the Australian Coastal Shipping Commission. In national accounts terms, total outlays by such authorities in 1972-73 amounted to \$824 million, compared to total *budget* outlays, *including* intra-sector transfers, of \$10,230 million.

Again, it is not possible to trace through the precise utilisation of the funds advanced to these instrumentalities from the budget. In the national accounts treatment, transfers between the budget and non-budget sectors of the Australian Government are completely offset; outlays, other than inter-sector transfers, are then consolidated to form a statement of the outlays and receipts of the Australian Government sector as a whole. The method of consolidation in use is outlined in the Supplement to the Treasury Information Bulletin, *National Accounting Estimates of Public Authority Receipts and Expenditure*, presented concurrently with the Budget documents. Table 2, attached to this Statement, sets out national accounts estimates of the main categories of receipts and outlays of the Australian Government sector as a whole for the period since 1963-64.

Some differences may be noted in the relative composition of outlays at the level of the Australian Government sector as a whole, relative to the budget sector only. The following table details the varying composition of total outlays for 1972-73:

	Budget Sector	Total Australian Government Sector
	Per cent of total	Per cent of total
Net expenditure on goods and services—		
Current	23.3	23.1
Capital	2.2	7.5
Total	25.6	30.6
Transfers	64.8	63.2
Net Advances	9.6	6.2
Total Outlay	100.0	100.0

The inclusion of Australian Government authorities operating outside the budget sector has the effect of lifting the relative share of net expenditures on final goods and services to total outlays. Since final goods and services expenditure is the fastest growing component of outlays, this implies a very slight increase in the rate of growth of Australian Government outlays as a whole, relative to budget outlays, for the nine-year period to 1972-73. This is illustrated in the following table which compares the annual average rates of growth of the components of both budget outlays and total Australian Government outlays with the annual average movements in gross national expenditure for the period 1963-64 to 1972-73:

	Average Annual Rate of Increase, 1963-64 to 1972-73	
	Budget Sector	Total Australian Government Sector
	Per cent per annum	Per cent per annum
Net expenditure on goods and services—		
Current	11.6	11.7
Capital	11.5	10.5
Total	11.6	11.4
Transfers	11.4	11.3
Net Advances	3.5	1.2
Total Outlay	10.3	10.4
Gross National Expenditure	9.1	9.1

The Purposes of Budget Outlays

In previous years, historical budget data in both national accounts terms and in 'conventional' budget terms have been presented in Statement No. 7. Budget data on the new functional classification basis adopted in the budget for the first time this year are presently available only for the period back to 1970-71. The available data have been presented in detail in Statement No. 4. The limited amount of data available does not warrant further discussion here. It is expected, however, that a longer series of historical data on the new functional basis will be available for publication and discussion in next year's budget documents.

Budget Receipts

Total budget receipts in national accounts terms have increased at an annual average rate of 11.0 per cent over the period—rising from 21.2 per cent of gross national expenditure in 1963-64 to 24.3 per cent in 1972-73. Total *taxation* has averaged a slightly faster annual average growth rate of 11.3 per cent over the same period. Within this item, however, the share of *indirect* taxation has followed a declining trend. Compared with the annual average rate of growth of 11.3 per cent in total taxation receipts between 1963-64 and 1972-73, the yield of indirect taxes has grown on average by only 8.4 per cent per annum. 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. After adjustment to remove the effects of this change, however, indirect taxation revenues would still have shown an average rate of growth over the nine-year period, which is significantly lower (approximately 9.6 per cent per annum) than the rate of growth of total receipts.

Further detail on the composition of budget receipts, in national accounts form, for the nine-year period to 1972-73, is given in the following table:

	Increase 1963-64 to 1972-73		
	\$ million	Proportion of total increase (per cent)	Average annual rate of increase (per cent per annum)
Receipts—			
Taxation—			
Indirect taxes	1,324	22.8	8.4
Income taxes on companies	1,032	17.8	11.8
Income taxes on persons—			
PAYE	2,369	40.9	16.5
Other	444	7.7	6.8
Estate and gift duties	27	0.5	7.5
Other direct taxes, fees, fines, etc. ..	39	0.7	9.5
Unfunded employee retirement contributions	1	—	—
Total Taxation	5,235	90.3	11.3
Other Receipts	559	9.6	9.2
Total Receipts	5,796	100.0	11.0

In absolute terms, the increase in income tax collections from individuals easily outranked all other sources of revenue, accounting for almost 49 per cent of the increase in total receipts over the nine years to 1972-73. 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 annual average rate of growth in net receipts from this source was no less than 16.5 per cent compared with an average annual growth rate for total receipts of 11.0 per cent.

Revenue from company income taxes also increased more rapidly than total receipts, having an average annual rate of growth of 11.8 per cent over the period and accounting for almost 18 per cent of the total increase in receipts.

The Overall Budget Result

The Australian Government has consistently incurred a deficit on its budgetary transactions over the nine years to 1972-73. The size of the deficit, however, has fluctuated from year to year, reaching a peak of \$709 million in 1972-73 and a low of \$10 million in 1970-71. The deficit figures for 1969-70 onwards differ from the figures appearing in previous years in Statement No. 7 because of some accounting changes, the most significant of which is the treatment of net advances to the Australian Wheat Board as outlays rather than as financing transactions.

An 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 prevailing level of economic activity. Statement No. 2 provides a discussion of these matters.

The main financing transactions undertaken to meet the deficits in the budget over the period have been domestic and overseas loan raisings, the issue of Treasury Notes and temporary borrowings from the Reserve Bank. Details of the Australian Government's financing transactions for the nine years to 1972-73 are given in Table 3, attached to this Statement.

**NOTES ON TABLE 1: FIGURES IN NATIONAL ACCOUNTS TERMS—
BUDGET SECTOR**

At the Premiers' Conference in June 1971 it was agreed that the Australian Government 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 Australian Government pay-roll tax revenues estimated at \$253 million in 1971-72. To offset most of this loss in revenue, financial assistance grants paid to the States in 1971-72 were reduced. The full-year effect of these transfer arrangements is reflected in the 1972-73 figures for outlays and receipts.

The transfer arrangements had the effect of reducing the rate of growth of outlays and receipts, below the rate that would otherwise have been recorded, by approximately 3 percentage points in 1971-72 and about 1 percentage point in 1972-73. The figures shown in Table 1 accordingly reflect the lower growth rates due to the transfer of the pay-roll tax. Comparisons between 1972-73 and subsequent years will not, of course, be affected by the transfer since no part-year effects of the changeover continue beyond 1972-73.

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. 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, but including the purchase of existing assets, are listed in their various forms under this heading.

Net Advances

Loans, advances and additional capital made available by the Australian Government 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 personal and company income taxation, indirect taxes including sales tax, customs and excise duties, estate and gift duty, other direct taxes and contributions to unfunded employee retirement benefit schemes. Small amounts of expenditure are offset against receipts.

Interest, Rent and Dividends, etc.

Interest on loans to the private sector is included in this item; this item also covers land rent received and dividends from public trading enterprises outside the budget sector.

Gross Income of Public Enterprises

This item represents gross income, less operating expenses, of enterprises which operate within the budget sector. It includes transfers to Consolidated Revenue from the Reserve Bank and Commonwealth Banking Corporation.

Sale of Existing Assets

The principal components of this item are sales of land and buildings (other than houses).

DEFICIT

This item is the difference between total outlay and total receipts. It is financed through the net sale of Australian Government securities to other sectors, other net borrowing from outside the budget sector and variations in financial assets and liabilities, including cash. Further detail is contained in Chapter I of the Supplement to the Treasury Information Bulletin, *National Accounting Estimates of Public Authority Receipts and Expenditure* presented with the budget documents.

NOTES ON TABLE 2: AUSTRALIAN GOVERNMENT SECTOR

The method of presentation of national accounting estimates of receipts and expenditure for the Australian Government sector as a whole is discussed in Chapter II of the Supplement to the Treasury Information Bulletin, *National Accounting Estimates of Receipts and Expenditure*.

NOTES ON TABLE 3: FINANCING TRANSACTIONS

The following notes explain the composition of some headings in Table 3 which summarises the Australian Government'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 1972-73, 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 Australian Government 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.

TABLE 1—RECEIPTS AND OUTLAY OF THE AUSTRALIAN GOVERNMENT

	1963-64	1964-65	1965-66	1966-67
	\$ million	\$ million	\$ million	\$ million
Outlay—				
Net expenditure on goods and services—				
Current expenditure—				
Defence	485	557	683	875
All other	372	442	488	557
Capital expenditure(a)	87	999	1,171	1,432
Total net expenditure on goods and services	944	1,102	1,288	1,574
Transfer payments—				
Cash benefits to persons	1,019	1,072	1,144	1,237
Unfunded employee retirement benefits	—	—	—	—
Grants to States	906	968	1,089	1,194
Interest paid	361	390	409	432
Transfers overseas	87	107	127	151
Subsidies(b)	108	96	142	166
Grants for private capital purposes	9	26	47	45
Purchases of existing assets	3	4	5	5
Total transfer payments	2,493	2,663	2,962	3,230
Total expenditure	3,437	3,765	4,250	4,804
Net advances—				
to States—				
Works purposes	373	400	405	437
Housing	92	93	107	109
Other	25	26	35	28
to Australian Government Authorities—	490	519	547	574
Post Office	105	116	139	179
SMHEA	46	44	41	47
Airlines	—7	23	17	18
Pipeline Authority	—	—	—	—
Other	16	9	12	7
to other sectors—	159	192	209	251
Defence Service Homes	43	39	39	25
Other	16	17	14	22
Total net advances	708	767	809	871
Total Outlay	4,145	4,533	5,059	5,675
Receipts—				
Taxation—Indirect taxes(b)	1,310	1,460	1,615	1,705
Income taxes on companies	602	725	818	807
Income taxes on persons—PAYE	792	991	1,160	1,324
Other	480	579	570	597
Estate and gift duties	46	49	42	49
Other direct taxes, fees, fines, etc.(d)	27	32	34	37
Unfunded employee retirement contributions	—	—	—	—
Total taxation	3,257	3,835	4,239	4,518
Other receipts—				
Interest, rent and dividends etc.	424	464	504	550
Gross income of public enterprises	38	43	52	50
Sale of existing assets(e)	7	10	10	6
Total other receipts	469	517	567	606
Total Receipts	3,725	4,351	4,805	5,123
Deficit	419	183	255	552

(a) Consisting of fixed capital expenditure on new assets *plus* increase in stocks *less* sales of previously rented houses.
 (b) Following the transfer of the pay-roll tax to the States, the export incentive scheme has operated in respect of exports in 1971-72 and subsequent years through direct payments from the Australian Government, 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.

BUDGET SECTOR—1963-64 TO 1972-73 AND 1973-74 (ESTIMATED)

1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74 Estimate
\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
1,039 623	1,076 708	1,017 796	1,069 912	1,135 1,051	1,190 1,196	1,183 1,462
1,662 162	1,784 179	1,813 183	1,981 218	2,186 218	2,386 230	2,645 311
1,824	1,963	1,996	2,199	2,404	2,616	2,956
1,284	1,396	1,589	1,762	2,047	2,542	3,049
1,323	1,430	1,631	2,217	2,383	2,764	3,331
476	502	546	576	616	674	704
154	159	179	184	205	252	289
179	261	247	308	384	325	318
58	32	34	37	42	53	89
6	16	6	10	28	17	28
3,479	3,796	4,231	5,093	5,705	6,627	7,843
5,303	5,759	6,227	7,292	8,109	9,243	10,799
460 111 58	484 113 29	518 118 32	366 126 28	533 53	591 72	649 198
629	627	669	521	587	663	846
203 39 49	205 30 -12	233 33 -16	247 27 20	270 16 52	288 10 18	320 8 -9
5	13	21	47	37	10 15	97 23
296	235	271	341	375	342	439
10 20	12 20	12 209(c)	18 -35(c)	17 -7(c)	13 -30(c)	39 44
30	31	221	-17	10	-17	84
955	893	1,161	845	972	987	1,369
6,259	6,652	7,387	8,137	9,081	10,230	12,168
1,850 859 1,507 668 63 38	2,038 1,039 1,727 650 70 44	2,247 1,197 2,084 771 80 47	2,505 1,444 2,432 743 78 48	2,530 1,535 2,889 876 76 60	2,634 1,634 3,161 924 73 66	3,128 1,943 3,940 1,233 68 69
—	—	—	—	—	1	25
4,985	5,568	6,426	7,249	7,966	8,492	10,405
595 30 9	649 37 13	722 34 12	801 53 23	885 55 41	951 31 47	1,007 13 56
634	699	768	877	981	1,028	1,076
5,618	6,267	7,195	8,127	8,947	9,521	11,481
642	385	191	10	134	709	687

(c) Includes net advances to the Australian Wheat Board amounting to \$184 million in 1969-70, —\$65 million in 1970-71, —\$53 million in 1971-72 and —\$65 million in 1972-73. Until 1973-74, this item was treated as a financing transaction.

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

(e) Excludes sales of previously rented houses. See footnote (a).

TABLE 2—RECEIPTS AND OUTLAY OF AUSTRALIAN GOVERNMENT

	1963-64	1964-65	1965-66	1966-67
Outlay—	\$ million	\$ million	\$ million	\$ million
Net expenditure on goods and services—				
Current expenditure	859	996	1,168	1,434
Capital expenditure(a)	307	428	459	488
	1,166	1,424	1,627	1,922
Transfer payments(b)	2,489	2,657	2,954	3,220
Total expenditure	3,655	4,081	4,581	5,142
Net advances	549	575	600	621
Total Outlay	4,204	4,656	5,181	5,762
Receipts—				
Taxation—				
Indirect taxes(b)	1,310	1,460	1,615	1,705
Income taxes on companies	600	721	815	803
Income taxes on persons	1,271	1,569	1,729	1,921
Estate and gift duties	46	49	42	49
Other direct taxes, fees, fines, etc.(c)	27	32	34	36
Unfunded employee retirement contributions	—	—	—	—
	3,254	3,831	4,236	4,513
Other receipts	548	662	708	717
Total Receipts	3,802	4,492	4,945	5,230

(a) See footnote (a) to Table 1.

(b) See footnote (b) to Table 1.

SECTOR AS A WHOLE—1963-64 TO 1972-73 AND 1973-74 (ESTIMATED)

1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74 Estimate
\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
1,666 579	1,780 575	1,815 660	1,979 757	2,184 830	2,412 786	2,645 1,112
2,244 3,469	2,356 3,777	2,475 4,223	2,736 5,084	3,014 5,671	3,197 6,610	3,757 7,813
5,713 659	6,133 660	6,698 892	7,820 506	8,685 599	9,807 647	11,570 931
6,372	6,793	7,590	8,326	9,284	10,454	12,502
1,850 853 2,175 63 37	2,038 1,030 2,377 70 44	2,247 1,188 2,855 80 47	2,505 1,428 3,175 78 48	2,530 1,321 3,765 76 60	2,635 1,618 4,085 73 66 1	3,129 1,926 5,173 68 69 25
4,979 817	5,560 919	6,417 1,031	7,234 1,129	7,951 1,293	8,477 1,481	10,389 1,574
5,798	6,478	7,448	8,363	9,245	9,958	11,963

(c) See footnote (d) to Table 1.

TABLE 3—SUMMARY OF AUSTRALIAN GOVERNMENT BUDGET SECTOR FINANCING TRANSACTIONS, 1963-64 TO 1972-73

	1963-64	1964-65	1965-66	1966-67	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Overseas—										
Credit arrangements for defence purchases in the USA	..	..	..	..	..	..	..	..	..	..
Less—repayments	..	..	..	..	..	..	..	..	..	..
Net drawings	..	..	..	..	..	..	..	..	..	..
Aircraft loans for Qantas and Australian National Airlines Commission	5	35	30	31	65	15	11	47	85	31
Less—repayments	12	12	14	..	16	27	27	28	33	38
Net drawings	..	23	17	18	49	..	16	20	52	..
Other overseas loan proceeds(a)	74	43	38	54	77	169	48	15	26	28
Less—redemptions, etc.(d)	47	80	77	135	112	69	160	87	109	78
Net proceeds	26	..	40	..	35	100	..	72	83	50
Total net proceeds overseas	20	14	23	28	132	142	131	46	47	66
Funds provided for International Monetary Fund	..	..	..	..	..	..	..	..	..	..
Australia—										
Proceeds of loans raised in Australia(b)	598	523	552	656	589	616	678	770	917	971
Less—redemptions, etc.	153	270	255	258	293	235	414	566	197	232
Net change in Treasury Notes on issue	444	252	298	408	297	381	263	205	720	739
Net change in Treasury Notes on issue	14	..	36	..	184	..	47	18	..	165
Other financing transactions(c)	458	180	334	382	480	313	310	222	711	904
Residual financing—	10	4	21	5	38	62	45	27	38	46
Net increase in Treasury Bills on issue	..	..	..	..	..	..	..	..	..	..
Net issue of other securities to the Reserve Bank	..	..	..	..	..	..	..	..	..	..
Use of cash balances	..	..	..	..	..	..	..	..	..	..
Total residual financing	..	34	..	164	51	..	..	..	..	..
Total Australian financing transactions	399	219	318	551	569	248	322	92	181	775
Total Financing Transactions	419	183	255	552	642	385	191	10	134	709

(a) Overseas 'refinancing' transactions are treated in the table as adding to both loan proceeds and redemptions where they involve receipts to and outlays from Loan Fund.

(b) Includes State domestic raisings.

(c) Includes funds obtained from coinage and bullion transactions, amounts borrowed by Australian Government trust accounts, net amounts available from Australian Government trust account transactions in Government securities, amounts available from monies held in trust, etc.

(d) Reflects the substitution of \$100 million of longer-term securities for Treasury Bills on issue to the Reserve Bank.

(e) Reflects the substitution of \$80 million 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 million in securities other than Treasury Bills.

STATEMENT No. 8—CHANGES IN BUDGET FORMAT AND PRESENTATION

Compared with the practice followed in the Budget Speeches of recent years, several important changes have been made in the presentation of the 1973–74 Budget Speech and the Statements attached to it. The principal change is the introduction of a *functional classification* of budget outlays and receipts and its use as the main framework for the detailed discussion of budget policy proposals. In addition, *national accounting conventions* have been consistently adopted in the Budget Speech and Statements for the definition of outlays and receipts. The functional headings employed are described and briefly discussed later in this Statement.

In previous years some additional information on various outlays and indirect assistance through the taxation system has been provided in Statements such as the former Statements No. 8 External Aid, No. 9 Commonwealth Assistance to Industry, and No. 10 Commonwealth Assistance for Social Welfare and Repatriation. These Statements were, of course, adjuncts to the now discarded 'conventional' classification. Since it is important to maintain consistency in classification in the Budget Speech and Statements, it would be inappropriate to continue Statements in that format in combination with the new functional classification. Furthermore, much information of the kind contained in these Statements in previous years is now provided in the discussion of budget outlays by function in Statement No. 4. Accordingly, the former Statements Nos. 8, 9 and 10 have been discontinued.

THE NEED FOR A FUNCTIONAL CLASSIFICATION

There has been for some time a clear and widely recognised need to improve the presentation of budget data in order to provide better information for the decision-making processes of the Government and to provide generally a more useful framework for the consideration of policies and their expenditure implications. The so-called 'conventional' budget classification used in recent years was essentially a product of the historical evolution of the Budget Statements from earlier legal appropriation documents. It concentrated on input, organisational and institutional characteristics of receipts and outlays. With such a classification it can be very difficult to clarify the *purposes* to which outlays are being committed and to judge how effective these outlays are in attaining policy objectives. The increasing attention being given to longer-term trends in budget outlays has also emphasised the need for a new purpose-oriented classification.

The basic aim of the new functional classification is to bring together outlays with like *objectives or purposes*. In this way it aims to reveal more fully information on the nature of Government activities, the share of resources devoted to particular objectives and to facilitate assessment of the effectiveness of outlays in meeting objectives.

Compared with the previous classification, the value of the new functional classification is increased because it is applied to budget outlays and receipts based on national accounting conventions. There is thus a consistent conceptual basis underlying both the economic classification and the functional classification. This removes a considerable source of confusion which existed in past budget documents where two conceptually different classifications were used—the so-called 'conventional' classification for information and general policy purposes and the national accounting classification for the analysis of the economic impact of the budget.

BASIS OF THE FUNCTIONAL CLASSIFICATION

The conventions and principles used in the new functional classification are essentially those set out for the classification of outlays by the purpose of government in the publication *A System of National Accounts*, United Nations, New York 1968. That classification is a widely accepted international standard for the classification of public expenditure by function and is also being used by the Organisation for Economic Co-operation and Development as a basis for the development of internationally comparable statistics on the public sector. The Bureau of Census and Statistics has concurrently adopted these conventions and principles for purpose classifications in the documents it publishes on public authority finance.

As a result of close co-operation between the Bureau of Census and Statistics and the Treasury in the development of this classification structure, the major functional headings adopted for budget purposes are conceptually consistent with those used by the Statistician in his publications. It should be noted, however, that the figures published by the Bureau for Australian Government outlays cover both budget outlays and outlays by Australian Government authorities which operate outside the budget sector and hence will differ in some respects from the figures shown for the budget sector in the Budget Statements. Information on the transactions of authorities operating outside the budget sector is shown in the Supplement to the Treasury Information Bulletin entitled *National Accounting Estimates of Public Authority Receipts and Expenditure* which is published concurrently with the budget documents. In addition, a number of Australian Government departments and instrumentalities which operate in Papua New Guinea incur direct expenditures which *may be classified* as aid to a developing country. These outlays, however, are shown under the same functional heading in the Budget Statements as similar outlays made within Australia. Supplementary information on the functional allocation of these outlays is available in the Bureau's publication *Public Authority Finance—Authorities of the Australian Government, 1972-73*.

THE STRUCTURE OF THE FUNCTIONAL CLASSIFICATION

The major functional headings are shown in the summary table in Statement No. 4. The main addition to the classification structure recommended in the publication *A System of National Accounts* has been the inclusion of a category 'Immigration', because of the particular relevance of this function in Australia. Brief descriptions of the contents of each function are given below. These descriptions are intended to convey the *scope* of the outlays included under each function rather than to be a detailed listing of the content of each category. Further detail on each function is provided in the discussion in Statement No. 4.

From an examination of the classification structure set out in the Budget Statements it will be evident that the functional classification is at this stage relatively aggregative in nature. It has, for example, not been possible on the whole to dissect the administrative outlays of departments and to allocate them over the particular sub-categories shown under each functional heading.

Under each functional heading in the classification, outlays have been grouped together into readily identifiable expenditure blocks. These expenditure blocks do not, as a rule, purport to represent detailed purpose-oriented sub-functions or programs; rather, they are meant as recognisable and meaningful expenditure groupings which readily lend themselves to discussion and analysis. Nevertheless, the main outlay blocks are decidedly more purpose-oriented than was the case with the categories of expenditure identified under the conventional classification used in the past.

Given the need to produce a continuing and up-to-date record of actual monthly outlays and receipts which is consistent with the overall estimates embodied in the Budget Speech and documents, it has been necessary to work largely within existing central accounting records. These records are, at present, built around the Appropriation Acts, which are the legal authority for expenditure rather than detailed costing documents. The figures presented have, therefore, been derived essentially by reclassifying appropriation data supplemented, where necessary, by a limited number of sub-costings of substantial appropriation items which cover several functions.

The problems of using existing accounting records for the purposes of the functional classification were magnified by the major changes to departmental administrative arrangements which were announced in December 1972. These changes have made it difficult to produce a strictly consistent set of outlay aggregates for the period of years covered in the Budget Statements. Where possible, the more important discontinuities have been eliminated by the sub-costing and regrouping of appropriation data, but it has not been practicable to eliminate all inconsistencies to produce strict comparability of detailed estimates. This should be borne in mind when examining the tables set out in Statement No. 4.

It should also be noted that the functional categories do not necessarily correspond with appropriation or departmental structures. Furthermore, some outlay and receipts figures are netted in arriving at aggregates. Expenditure votes and revenue heads under the control of a particular department may, therefore, be classified under more than one functional heading and it will not always be possible to identify individual appropriation items in the Statements. The introduction of the functional classification does not, however, alter the structure of the appropriations or the summaries presented with the Appropriation Bills, such as the document *Estimates of Receipts and Summary of Estimated Expenditure*.

Although the basic aim of a functional classification scheme is to reveal the broad purposes for which government expenditure is undertaken, it is important to note that such a classification cannot always be unambiguously applied. Particular expenditure items will often serve two or more distinct functions. Military colleges, for example, may be said to serve both a defence and an education purpose. The application of a functional classification scheme, however, requires that expenditure be classified to the function which it is considered *primarily* to serve. In the example above, the primary function is considered to be defence. This is also in line with United Nations recommendations.

As in any single classification system, it is not possible to focus at one and the same time on every outlay characteristic that may be of interest to the Government or the public. Supplementary information on particular aspects of expenditure is therefore provided in other documents, for example, details of wage and salary estimates are shown in the document *Estimates of Receipts and Summary of Estimated Expenditure* and a separate White Paper is provided on *Payments To or For the States*. Other supplementary documents or statements may in future years be provided in order to focus on outlays related to particular policies or activities.

THE IMPLICATIONS OF ADOPTING NATIONAL ACCOUNTING CONVENTIONS

As indicated earlier in this Statement, the use of definitions of budget outlays and receipts based on national accounting conventions will place budget data on a basis where they are conceptually consistent with, and can more easily be related to, trends in the public sector as a whole and to developments in the economy reflected in national accounting information published by the Bureau of Census and Statistics.

The principles underlying the national accounting presentation of budget data were set out in the Appendix to the Supplement to the Treasury Information Bulletin on *National Accounting Estimates of Public Authority Receipts and Expenditure*, August 1970. However, concurrent with the introduction of the functional classification, some changes have been made to the previous *national accounting definitions* of outlays, receipts, the deficit, and their components used in the Budget Statements. The more significant of these changes are:

- (a) Net advances to the Australian Wheat Board are treated as outlay items, rather than financing transactions as in the past. This brings the classification of these short-term advances into line with that accorded to other advances from the budget;
- (b) purchases of land and existing buildings (including inter-departmental transfers for which a financial adjustment is made) are now treated as outlays rather than offsets to the proceeds from the sale of these assets under a receipts heading. This change permits gross outlays on these assets to be shown under the appropriate functional headings.

Other conceptual changes in line with the principles set out in the publication *A System of National Accounts* have also been introduced. These changes relate mainly to the treatment of rents and business enterprise transactions and are indicated in the Supplement to the Treasury Information Bulletin issued concurrently with the Budget documents. Overall they do not have a very significant effect on the figures shown for total receipts and total outlays.

The adoption of national accounting conventions implies that the receipts and outlay figures shown in the Statements attached to the Budget Speech relate, for the most part, to the *net transactions* of the budget sector with the rest of the economy. Some important characteristics of the national accounting treatment shown in the Statements are as follows:

- (a) The transactions of various Funds forming the Public Account (the Consolidated Revenue Fund, Trust Fund and Loan Fund) are consolidated and inter-fund transfers are eliminated. For example, payments to the Aboriginal Advancement Trust Account are not shown as part of outlays; rather, the expenditure from that Trust Account is included. The aim is essentially to record the transactions between the budget sector and the rest of the economy. Allowance is, however, made for adjustments between functions arising from the transfer of existing assets where financial adjustments for these transfers are recorded;
- (b) receipts derived from activities which are essentially of a governmental nature, involving regulation and compulsory payment, are normally treated as revenue items. This applies in particular to industry charges and levies, broadcasting and television licence fees, and fees and fines imposed by the courts. Other recoveries and repayments are normally offset against the relevant outlays to arrive at net outlay figures. For example, repayments of principal on advances to other authorities are offset against the corresponding advances under the same outlay heading. Bringing together the relevant outlays and recoveries or repayments makes it possible to see more readily the extent of financial resources which are directed through the budget to a particular activity. Taxes, compulsory charges, licence fees and the like are not regarded as being related to particular outlays but rather as being of a general revenue nature;
- (c) the operating revenues of activities which are carried out as business-type enterprises are shown net of operating expenses as a receipts item and hence do not appear in the outlay tables. The current operations of enterprises are thus reflected in the Budget Statements to the extent that they contribute to general budget revenues;
- (d) finally, certain transactions which are netted in published totals of the receipts and payments of the Public Account are shown in gross form. The more important of these are interest on loans raised by the Australian Government for State works programs and for the Australian National Airlines Commission and Qantas Airways Limited. Interest paid on these loans is included under the outlay heading 'Public Debt Interest', while interest received on advances made to the relevant authorities is included as a receipts item. This has the effect of making the coverage of interest in the Statements the same as the coverage of the debt to which it relates.

FUTURE DEVELOPMENTS

The functional classification presented this year has been developed within time and data availability constraints. Although it provides very useful information on the broad purposes served by government outlays, it is envisaged that further development of the classification will be both possible and desirable in the future.

DESCRIPTION OF FUNCTIONS

The following notes describe briefly the scope of the net outlays encompassed under each functional heading.

1. *Defence:*

Outlays on military and civil defence, including outlays to keep the armed services in a state of readiness. Includes outlays on central administration and on research in connection with activities carried out for defence purposes; outlays on military construction and equipment, inspection, transport and storage; all outlays on recruiting, training, equipping and housing of the armed forces, and on medical care and other services for them; outlays on military colleges; expenditure for the provision of quarters for families of military personnel; outlays on pensions and other payments for military personnel under the Defence Forces Retirement and Death Benefit Scheme; outlays on foreign military aid and contributions to international military organisations and alliances.

2. Education:

Outlays on the provision, management and support of educational services from pre-school level through to higher school certificate level, of trade and technical courses, courses in music, fine arts, etc., and of university and other higher education. Includes outlays relating to the provision of scholarships and allowances to students at all levels; special educational programs designed specifically for the benefit of persons of Aboriginal descent, for children of migrants and for handicapped children; expenditure on non-vocational adult education courses, school bus services, and general administration, regulation and research activities related to education.

3. Health:

Outlays on facilities or services for the prevention and treatment of human illness. Includes outlays related to the prevention of diseases, such as chest X-ray campaigns, immunisation and vaccination programs, regulation of standards of sanitation, etc.; outlays concerned with the provision of hospital and clinical services, including treatment and care of those suffering from psychiatric disorders, infectious diseases, etc., and expenditure on nursing schools associated with hospitals. Also includes the payment of hospital, nursing home, medical and pharmaceutical benefits which are designed to cover all or part of the costs of hospitalisation and medical treatment and provision of drugs and appliances; outlays on the provision of dental services, school medical services, ambulance services; special programs for the treatment and care of specific groups, such as persons of Aboriginal descent, the aged, former members of the armed forces and their dependants; community health centres, centres for the treatment of drug addicts, and domiciliary care services; general administration, regulation and research related to health matters.

4. Social Security and Welfare:

Provision of pensions and allowances and other benefits to persons who, because of age, physical or mental disability, domestic circumstances or other reasons, are unable or not expected to earn a sufficient livelihood for themselves and their dependants. Includes the provision of benefits such as unemployment benefits, age and repatriation pensions, accident and sickness benefits, other benefits to compensate for loss of income and unemployment relief schemes. Provision of financial assistance towards the expenses associated with the bearing and raising of children, marriage guidance and child care facilities, other social security benefits, child welfare services and institutions, homes for and care of the aged and disabled and welfare programs to meet specific needs of disadvantaged groups.

5. Housing and Community Amenities nec:

Housing: Outlays on the provision of dwellings for sale or rental, and mortgage finance for purchase or construction of dwellings, other financial assistance aimed at facilitating the purchase or construction of dwellings or home ownership. General administration, regulation and promotion of standards, and research in the field of housing.

Community Development nec: Outlays on general promotion and assistance for urban and regional planning and development. Includes outlays on the development of new cities or suburbs where it is not possible to distinguish expenditure as specifically for housing, roads, sewerage or other purposes, or it is not appropriate to classify the expenditure to other categories (such as in the case of major urban sub-division or renewal outlays, including the purchase of land for such purposes). Also includes the administrative costs of departments and agencies engaged in urban and regional planning and development and miscellaneous outlays on the provision of community amenities.

Sewerage, Sanitation and Protection of the Environment: Outlays on the treatment and disposal of sewage, refuse collection and disposal, street cleaning, water quality control, air pollution monitoring and control. Other outlays related to pollution prevention and control and protection of the environment including research, planning and regulation.

6. *Culture and Recreation:*

Outlays related to the support of performing and creative arts; support of organisations concerned with sporting and other leisure time activities, and provision of facilities serving purposes primarily related to these activities, such as swimming pools, community centres, athletic fields, etc.; contributions to youth and social organisations; outlays on the protection and preservation of historic sites and buildings, parks and wildlife reserves, and other elements of the national estate; outlays on the provision and operation of government radio and television broadcasting services.

7. *Immigration:*

Outlays on administration and research in relation to programs of assisted and unassisted immigration, including provision of temporary accommodation for immigrants and other services designed to facilitate the integration of migrants into the community in the shorter term.

8. *Economic Services:*

This category covers regulation of, and assistance provided to, the private sector, direct government participation in economic activity and provision of economic infrastructure.

A. Transport and Communication. Outlays concerned with postal services, and domestic and overseas telecommunications; outlays on construction, maintenance, promotion, administration and research relating to the various modes of land, sea and air transport, including urban transportation systems and pipelines for petroleum and gas transport. (Road traffic control services are shown under the category 'Law, Order and Public Safety'.)

B. Water Supply and Electricity. Outlays on construction and other assistance, regulation and research in connection with the production, transmission and distribution of electricity; and on the conservation, collection, purification and distribution of water primarily for domestic and industrial consumption.

C. Industry Assistance. Direct assistance to primary, secondary or service enterprises in forms such as bounties, subsidies, export incentives, advances from the budget and other transfers including payments to ensure guaranteed prices for commodities or to maintain the prices of commodities below their normal market price; support of agricultural and other industrial research and development and of promotional activities including export promotion; outlays on the management of timber and fishery resources; provision of veterinary, extension and other services to agriculture; land clearing, reclamation and settlement activities; outlays on programs of rural debt reconstruction and farm rehabilitation; investigation, measurement, development and management of water resources for irrigation and pastoral purposes and flood mitigation; assistance and encouragement of mineral exploration; geological surveys; development of tourist facilities and tourist promotion; administration, promotion, regulation and research, directly associated with specific primary, secondary or service industries.

D. Employment Conditions. Outlays related to the regulation of working conditions, the prevention and settlement of industrial disputes and the enforcement of industrial awards and agreements; programs designed to facilitate changes of occupation by persons displaced by redundancy, occupational training schemes for adults including assistance to enter or re-enter the work-force, provision of labour exchange facilities; and general administration, regulation and research in the field of labour affairs.

E. Other Economic Services. Outlays related to regulation of monopolies and restrictive trade practices, price control and justification, regulation of the tariff, other forms of business regulation; outlays on patents and trade marks administration, outlays on meteorological services and other technical services not allocable to specific kinds of industry; outlays on general administration in the area of economic and commercial affairs not allocable to other outlay categories within the 'Economic Services' function.

This category covers outlays on a number of general public services and activities concerned with the organisation and operation of government.

A. Legislative Activities. Outlays of the legislative and executive bodies of government, including parliamentary committees and the operation of the Governor-General's establishments; outlays related to the conduct of elections and maintenance of registers of voters.

B. Law, Order and Public Safety. Outlays on law courts (other than those concerned with industrial relations) and bodies concerned with the administration of the legal system and preparation and execution of law court action; provision of legal aid; registration of legal titles to property; outlays in respect of prisons and other places of detention and correction and probation services; police services, including traffic control; fire protection and other public safety promotion or services; general administration and research related to these activities.

C. Foreign Affairs and External Territories. Outlays of departments and agencies charged primarily with the handling of foreign relations; administration and other expenditure relating to external territories; and outlays on foreign economic aid and contributions to international bodies other than military alliances and organisations.

D. General and Scientific Research. Contributions for the promotion of, and outlays on, basic and general research in the biological, physical and social sciences, which cannot readily be classified to other outlay categories or linked with the provision or promotion of a particular service or activity.

E. Administrative Services. Outlays on the collection of taxes, raising public loans, managing public debt, and controlling the disbursement and audit of public funds. Outlays on general services for the government as a whole, such as statistical services, the purchase and operation of government buildings and equipment (including the construction, repair and maintenance of general purpose buildings), office cleaning, personnel and other administration. General administrative expenses of departments covering a variety of government activities and which cannot be readily dissected are also included under this heading.

10. Outlays Not Allocated to Function:

A. Payments to State Governments nec and Natural Disaster Relief. General purpose grants and advances to State and other level government authorities which may be spent at the recipient's discretion and grants not classifiable to specific functions. This category includes payments to assist States meet debt charges.

Payments to States and direct assistance for the relief of victims of drought, flood, fire and other natural disasters, and for the restoration of community services and facilities.

B. Public Debt Interest. Net interest payments made from the budget sector to other sectors, including interest payments on government securities, or under defence credit arrangements with other countries. Interest received from Government investments in Australian Government securities is offset against gross interest payments.