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CHAPTER II.

THE FEDERAL OUTLOOK.

Proclamation of the Commonwealth.—The Referendum Vote.—Queensland's Small Majority in the
Affirmative.—Representation in Federal Parliament.—The White Australia Policy.—Temporary
Effect on Queensland.—An Embarrassed State Treasury.—Assistance to Sugar
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After several vain attempts on the part of Australian statesmen to bring
about federation, the Commonwealth Constitution Act was adopted by the
several States in 1899 and ratified by the Imperial Parliament in 1900; and
Her Majesty Queen Victoria issued a proclamation, declaring that on and
after 1st January, 1901, the colonies of New South Wales, Victoria, South
Australia, Queensland, Tasmania, and Western Australia should be
federated under the name of the Commonwealth of Australia, the several
colonies being thereafter known as "States." The Union took place by the
freewill of all the colonies, a popular vote being taken in each. The poll
was small, only 583,865 electors recording their votes, of which number
422,788 voted for federation and 161,077 against, the majority in favour
being 261,711. In Queensland 38,488 voted in the affirmative and 30,996
in the negative, giving the narrow majority of 7,492, equal to only 10.78
per cent. of the total votes polled. That majority was obtained by an
almost block pro-federation vote throughout the Centre and North of the
colony, the majority in the Southern district, which contained about two-
thirds of the population, being adverse to union. There was no objection
to the abstract principle or to the wisdom of a federal union—rather the
reverse; but Queensland had not been represented at any of the Conven-
tions at which the Constitution was drafted, and no provision was made,
such as was made in the case of West Australia, to meet the peculiar
geographical, industrial, and financial circumstances of this State. In the
absence of legislative safeguards and guarantees, the unsatisfactory
experience of New South Wales administration in pre-separation days led
the people of Southern Queensland to doubt whether the vaunted fraternal
spirit would withstand the actual attrition of business competition. They
feared that the great urban populations of Sydney and Melbourne would,
under the proposed democratic Constitution, secure for themselves industrial, commercial, and administrative advantages at the expense of their brethren, but none the less rivals, in the more remote parts of the continent. Believing that, though their occupations and products were the same as those of the Southern States, their interests were conflicting, the majority in Southern Queensland cast their votes against the union. Finding themselves in a minority, many of the opponents of federation deliberately refused to exercise the franchise in the first election, held in 1901. Instead of taking steps to secure the return to the Commonwealth Parliament of men who would try to avert any evil consequences arising from non-representation at the Conventions and who would oppose any unfair discrimination, the short-sighted abstention of these people from voting enabled the Labour party, who certainly did not comprise a majority of the electors, to return nine out of our fifteen representatives in the two Houses.

One of the first results of this predominance of Labour representation was the early passage of legislation abolishing Pacific Island labour in the sugar industry—which is almost exclusively confined to Queensland—and requiring all the islanders to leave Australia for their native homes not later than 31st December, 1906. With a view to compensating the cane-growers for the added cost of labour, and to induce them to abandon all forms of coloured labour, a bounty, ranging at the present time from 7s. 6d. per ton of cane in the extreme North to 6s. per ton in Southern Queensland and on the Northern Rivers of New South Wales, was offered upon all cane grown exclusively with white labour; while to provide funds for payment of the bounty an excise duty, first of £3 and then £4 per ton, was imposed. These radical changes occurred at a time, unfortunately, when the State was suffering from severe depression resulting from an unprecedented succession of adverse seasons and the substitution of a uniform protective Customs tariff for the State tariff, which had for years previously yielded a large revenue per head while affording protection to many native industries. The abolition of interstate Customs duties caused a further loss to the Queensland Treasury; so that the Government felt compelled to ask Parliament to impose new taxation as well as sanction severe retrenchment in order to check the alarming series of revenue deficits which, despite large loan expenditure, marked the stressful period. All this tended to make federation unpopular, and obscure the benefits the union under the Commonwealth Constitution was calculated to confer eventually.
The popular sentiment was, however, overwhelmingly in favour of the White Australia policy; and even most of its opponents took exception to the hasty methods of enforcement rather than to the principle itself. Much difficulty was at first experienced in securing reliable white workers, but the remuneration year by year attracted, in increasing numbers, men accustomed to farm work, until, in 1908-9, the owners of about 90 per cent. of the cane grown found themselves in a position to claim the bounty. Pacific Island labour is now almost a thing of the past, though a few islanders who were not repatriated still engage in field work. In the more severely tropical of the sugar districts some Asiatic labour is also employed, the planters alleging that white men will not, unless at prohibitory wages, face the muggy heat of the cane-brake. The bounty, together with the £6 import duty, appears at length to have re-established the industry on a durable basis; but many growers look forward with some apprehension to the gradual extinction of the bounty and the possibility of a reduction in the import duty, holding that without the protection at present afforded Australian cane sugar cannot compete against the product of the cheap coloured labour of Java, Fiji, and Mauritius, or the beet sugar of Europe.

A further objection to federation was found in the mode adopted of distributing the Federal surplus revenue among the States. The 87th section of the Constitution required that for ten years the Federal Government should not expend on its own purposes more than one-fourth of the net Customs and Excise revenue of the Commonwealth, and that the balance of such revenue should be returned to the States. Prior to federation this had been interpreted to mean that each State would receive back not less than three-fourths of the net Customs and Excise revenue collected within its jurisdiction. But the Commonwealth Crown law officers placed a different construction on the section, and held that, so long as at least three-fourths of the net Customs revenue was distributed collectively, the Commonwealth had no obligation to return that proportion to any individual State. This has caused great uncertainty and embarrassment to the Queensland Treasurer, and has impelled many public men to stigmatise the union as a curse instead of a blessing.

In illustration of the unequal division of the surplus Federal revenue among the States, it may be mentioned that, according to a table published by the Commonwealth Auditor-General, while the aggregate sum beyond the three-fourths of Customs and Excise revenue returned to the States amounted to £6,059,087, Queensland actually received £44,951 less than her three-fourths during the eight and a-half years ended 30th June, 1909; and her Treasurer was much embarrassed by the uncertainty of the return owing to tariff alterations and the determination of the Federal Government to defray from revenue otherwise accruing to the State under the Constitution Act the cost of permanent buildings, which the State had formerly provided for out of loan moneys.

Another grievance of the States—especially of Queensland, which borrowed largely to construct its 10,253 miles of telegraph lines, and incurred a heavy annual charge upon revenue in providing postal communication throughout its vast and scantly populated territory—is that the Commonwealth Government treat section 85 of the Constitution as a dead letter. This provision expressly enactsthat “the Commonwealth shall compensate the State for the value of any property passing to the Commonwealth under this section”; but not a penny of compensation has ever been paid, although there is a considerable interest charge to be met annually by the State Treasuries on account of money borrowed for the purposes of these transferred properties.

The chief revenue loss suffered by the Queensland Treasury under federation arose from the passing of the uniform tariff, which drew considerably less than the former State tariff from the pockets of the taxpayers. Of course the remedy had to be sought in other taxation, and it could only be found in direct levies much more objectionable than the indirect charge imposed by Customs duties. However, the feat was ultimately accomplished, despite the depressed condition of the State through years of scanty rainfall and the enormous losses of live stock consequent thereon; but successive State Governments have had to bear much unmerited odium and have suffered in popularity on account of their efforts to restore financial equilibrium when the principal disturbing element was the advent of federation and not State mismanagement.

Since times began to improve throughout Australia, the Federal burden has been less in evidence; and at the late Melbourne Conference, held to confer with the Commonwealth Government with the view to adjust mutual relations, no State Premier recognised more frankly than did Mr. Kidston the claims of the Federal Government to increased revenue to defray the cost of old-age pensions, naval and military defence, and other great national objects. The provisional agreement entered into by the Conference was recognised by all the Premiers as less advantageous than they had
desired, but they were unanimous in admitting that under the altered conditions it was the best they could now hope for. On the Commonwealth side it was recognised that the States had made a large voluntary surrender, and that the position of the Federal Treasury would be greatly strengthened under the operation of the agreement. The apparent dread of diminishing Customs revenue in after years was clearly not well founded, because the Commonwealth Parliament can easily, by readjustment of duties, make up any deficiency. On the other hand, an immense advantage will be gained by both parties to the agreement from the separation of Federal and State finances except in respect of the liability of the Commonwealth to hand over, and the right of the States to receive, a fixed annual contribution of 25s. per head of the population. The representatives of the States granted a further concession to the Commonwealth by permitting the retention of an additional £600,000 of the Customs revenue for the current year to reimburse the cost of old-age pensions not already provided for by the Commonwealth Trust Fund created by the Surplus Revenue Act of 1908. The bill embodying the agreement received the approval of the statutory majority in both Houses of Parliament. It now rests with the electors of the Commonwealth to accept or reject the necessary amendment of the Constitution; and there is every reason to hope that the compact will be made as permanent as any other part of the Constitution. In that event, the relations between Commonwealth and States will undoubtedly improve, and harmonious co-operation for the public welfare may be safely anticipated from the Parliaments. The Federal session of 1909 has been distinguished by the passage of epoch-making bills for the appointment of a High Commissioner in London and for naval and military defence, measures which are calculated to raise the Commonwealth to an exalted position in the scale of young nations.