

to break faith altogether with those who paid too much in 1921, and bearing in mind those who might pay too much in 1922, agreed to the following recommendation :—

“The Assembly recommends that, when a revised scheme of allocation of the expenses of the League has been adopted after consideration of the fresh recommendations of the expert committee, it would be equitable that members of the League which may, with effect from 1st January, 1921, and up to the year for which the revised scheme is adopted, have paid more than they are called upon to pay under the operation of such scheme, should be entitled to a refund of the excess amount paid. Such refund shall be made as surplus funds accrue, and without prejudice to the maintenance of the Working Capital Account of the League at its full normal figure.”

The scheme, as adopted in the annex to report A. 179, is, as I have indicated, provisional and inequitable. This will be readily seen by making a comparison between the units payable by New Zealand and those payable by Australia. The New Zealand percentage of the total is 1·02, that of Australia 1·54—just half as much again as New Zealand. Notwithstanding this inequality—and no doubt there are others—I felt it to be my duty to agree to the provisional table in order to get rid of the greater inequalities caused by the adoption of the Postal Union rates, on receiving assurance that the provisional table should be amended in 1922 and would come to an end in 1923 at the latest, and that any amount overpaid in 1921 and 1922 would be refunded out of surpluses later on if these were available. You will find the case stated by me in the attached speech, which I made to No. 4 Committee, and in the motions which I submitted. When making the speech I did not refer to the countries by name, but under the first four letters of the alphabet. I regret that it was not possible to secure an alteration in Table 2 before the contributions for 1922 were demanded (see my motion No. 1).

As to my second, third, and fourth motions, these have been practically adopted.

It is possible you may have some difficulty in explaining the matter to Parliament if it should have been observed that Australia is paying only half as much again as New Zealand. The explanation of this is given in my speech to the committee.

SPEECH BY SIR JAMES ALLEN TO COMMITTEE NO. 4.

In support of my proposal I remind the committee that information was asked for by telegram from the various States, members of the League, in order that the Commission on Allocation might have available the population and net revenues which form the basis on which the indices in its report have been calculated.

The telegram to New Zealand, sent on the 30th April, 1921, asked “for financial year 1913, or 1913 to 1914, total ordinary and extraordinary State revenue, excluding proceeds from loans and credit operations. For Government undertakings give only net receipts after deducting working-expenses. By Government undertakings mean post, telegraph, &c., but not public domains.”

I understand that a similar telegram was sent to other States; but in the case of Federal countries divided into States, they were asked to supply, in addition to the Federal revenue, the revenue of the States, cantons, &c.

The reply from New Zealand, dated 11th May, 1921, was: “Ordinary revenue, £8,184,939 for financial year ended 31st March, 1914. Working-expenses of railways, post and telegraph, have been deducted, but not interest, estimated at £982,670, on capital expenditure thereon. No extraordinary revenue.”

Presumably members of the League, including Federal countries, have supplied the information asked for.

Grave injustices are apparent in the Commission's assessment of net revenue. I refer to three only of these injustices :—

- (a.) In some instances interest on Government undertakings has been deducted, in other instances it has not, and there is no uniformity.
- (b.) Countries with no divisions are at a disadvantage, because in Federal countries divided into States the revenues of the States which are used for national purposes—*e.g.*, education, justice, police, prisons, &c.—have not been included in the revenues of the Federal State.
- (c.) Similarly in the case of Federal countries the net receipts from Government undertakings—*e.g.*, railways, post-offices, telegraph, &c.—carried out by the States have not been included, whereas in undivided countries they have.

The British Delegation has advised this committee of the opinion of its Government. I quote the British delegate's words: “In the case of Federal States a very careful scrutiny of ‘provisional budgets’ will be necessary to determine what portions of them may be considered to represent national and local expenditure respectively. Net Government trading profits should be included.”

To make clear the effect of the Commission's action, I refer members of the committee to D. 18, 1920, which gave net revenues (pre-war), and in general includes States' revenues with those of the Federal Government. Whether careful scrutiny to determine the portions which represented national revenue was made I am unable to say. To show the great differences between “net revenue” in D. 18 and “net revenue” as used by the Commission, I quote the following instances as illustrative :—

	D. 18.	Commission.
A (China)	557,000,000	\$ 333,600,000
B (Brazil)	318,100,000	g. reis 256,300,000
C (Australia)	47,700,000	£ 16,500,000
D (Switzerland)	319,200,000	francs 102,700,000