

FUNDING ARRANGEMENTS.

No. 15 of 1921.

An Act to approve the Agreement made between the Government of the United Kingdom and the Commonwealth of Australia in relation to the repayment of the War indebtedness of the Commonwealth and for other purposes.

[Assented to 15th December, 1921.]

WHEREAS an agreement was made between the Government of the United Kingdom and the Commonwealth of Australia as to the manner and time of repayment of the war indebtedness of the Commonwealth of Australia to the Government of the United Kingdom and the rate and time of payment of interest on such indebtedness :

Preamble

And whereas an agreement was made between an officer of the Imperial Treasury and an officer of the Commonwealth Treasury, covering certain matters outstanding under the first-named agreement :

Be it therefore enacted by the King's Most Excellent Majesty, the Senate and the House of Representatives of the Commonwealth of Australia, as follows :—

1. This Act may be cited as the *Funding Arrangements Act 1921*.

Short title.

2. The agreement made between the Government of the United Kingdom and the Commonwealth of Australia (a copy of which agreement is set forth in the First Schedule to this Act) and the agreement made between the Deputy Controller of Finance in the Imperial Treasury and the Secretary to the Commonwealth Treasury (a copy of which agreement is set forth in the Second Schedule to this Act) are approved.

Approval of agreements.

3. Interest and payments in reduction of the principal, payable under the agreements referred to in the last preceding section, shall be paid out of the Consolidated Revenue Fund which is hereby appropriated accordingly.

Appropriation for payment of interest and principal.

4. Notwithstanding the provisions of the *Loans Sinking Fund Act 1918*, the Treasurer shall not be required to pay into the Loans Sinking Fund any amount in respect of the moneys which are included in Schedule II. to the agreement set forth in the Second Schedule to this Act.

Loans Sinking Fund Act 1918 not to apply.

THE SCHEDULES.

THE FIRST SCHEDULE.

MEMORANDUM OF AGREEMENT made this second day of February One thousand nine hundred and twenty-one BETWEEN the Right Honorable Austen Chamberlain, Member of Parliament, Chancellor of the Exchequer, acting for and on behalf of the Government of the United Kingdom (in this Agreement referred to as "The Imperial Government"), but not so as to incur any personal liability, of the one part, AND SENATOR THE HONORABLE EDWARD DAVIS MILLEN, Minister of State of the Commonwealth of Australia for Repatriation, acting for and on behalf of the Commonwealth of Australia (hereinafter referred to as "The Commonwealth"), but not so as to incur any personal liability, of the other part :

WHEREAS the Commonwealth is indebted to the Imperial Government in respect of certain moneys lent, payments made, services rendered, and goods supplied, by the Imperial Government, to or on behalf of the Commonwealth during the war.

AND WHEREAS it is expedient that an Agreement be made between the Imperial Government and the Commonwealth as to the manner and time of repayment of the said indebtedness to the extent set out in the First Schedule hereto, and the rate and time of payment of interest thereon :

NOW THEREFORE IT IS MUTUALLY AGREED AS FOLLOWS :—

1. The amount of the said indebtedness shall be determined by agreement between the Imperial Government and the Commonwealth as at the thirty-first day of March One thousand nine hundred and twenty-one and the amount so determined shall, for the purposes of, but subject to this agreement, be deemed to be the principal.

2. In respect of the principal, or so much thereof as from time to time remains unpaid, the Commonwealth shall pay to the Imperial Government interest as follows :—

(a) Upon the sum of One million two hundred and sixty-three thousand one hundred and fifty-eight pounds (being portion of the capital Book Debt due by the Commonwealth to the Imperial Government at the date of this agreement), or upon so much of the said sum as is from time to time due by the Commonwealth to the Imperial Government, interest at the rate of three pounds ten shillings per centum per annum.

(b) Upon the sum of Eleven million five hundred thousand pounds (being the amount of Australian Bonds held by the Imperial Treasury at the date of this agreement), or upon so much thereof as is from time to time held by the said Treasury, interest at the rate of Four pounds ten shillings per centum per annum, and

(c) Upon the remainder of the principal from time to time owing by the Commonwealth to the Imperial Government, interest at the rate of Five pounds per centum per annum.

3. Interest due by the Commonwealth to the Imperial Government in pursuance of the last preceding paragraph shall be payable half-yearly on the thirty-first day of March and the thirtieth day of September, the first of such payments to be made on the thirtieth day of September One thousand nine hundred and twenty-one.

4. In addition to the interest payable by the Commonwealth in pursuance of the last two preceding paragraphs it is further agreed that the Commonwealth shall pay to the Imperial Government half-yearly on the said thirty-first day of March and thirtieth day of September, in reduction of the principal, such sum as will, when added to the interest so paid, make a total annual payment of £5,218,923 9s. 7d. which is equivalent to the sum of six pounds per centum per annum upon the principal as determined in pursuance of the first paragraph of this agreement. The total annual payment provided in this paragraph shall continue to be made until the principal is wholly repaid.

5. The additional sum paid in pursuance of the last preceding paragraph shall be taken in reduction of the several sums comprising the principal, and bearing interest at three pounds ten shillings, four pounds ten shillings, and five pounds per centum per annum respectively in the proportion which those sums respectively bear to the principal, and the amount of subsequent payments of interest shall be calculated accordingly.

6. While interest is paid by the Commonwealth in respect of the aforesaid sum of eleven million five hundred thousand pounds (£11,500,000), the Imperial Treasury shall not be entitled to payment of the coupons attached to the Bonds for that amount, and they shall, as and when the coupons fall due, cancel the same and return them to

THE FIRST SCHEDULE—*continued.*

the Treasurer of the Commonwealth. Likewise, when the principal sum of eleven million five hundred thousand pounds (£11,500,000) has been repaid, the Imperial Treasury shall cancel the Bonds representing that principal and shall return them to the Treasurer of the Commonwealth.

7. The Imperial Treasury shall further be entitled to receive interest, as follows:—

(a) On Bonds and Book Debt as set out in the Second Schedule (2).

(b) Where payments (other than moneys represented by Bonds and Book Debt) were made, or services were rendered, or goods were supplied to the Commonwealth of Australia by the United Kingdom, during an accounting period, and the sum which those payments, or services, or goods, represent was not paid to the United Kingdom at the end of the accounting period, at the rate of five per centum per annum, calculated as from the first day of the next accounting period, up to thirty-first day of March, One thousand nine hundred and twenty-one, less the credit in respect of the portion of the interest which has already been paid.

8. For the purposes of the preceding paragraph, an accounting period means the period for which accounts were ordinarily made up.

9. (i) The Commonwealth shall, within 60 days from the date of this agreement, issue and deliver to the Imperial Treasury Commonwealth Treasury-bills for the amount of the interest due in accordance with the two last preceding paragraphs, and shown in the Second Schedule hereto.

(ii) The Treasury-bills issued and delivered in pursuance of this paragraph shall mature on the thirtieth day of September, One thousand nine hundred and twenty-one: but half of the total of the Bills shall be renewable for a further period of six months at the option of the Commonwealth:

Provided that, if the Imperial Treasury, within one month before the date of maturity of any such Treasury-bills, has made, or announced their intention of making, any special call on the London loan market of such a nature as to hinder the floating of other issues, the time of maturity of the Treasury-bills maturing at the expiration of that month shall be extended, if so desired by the Commonwealth, for a period of six months.

(iii) Treasury-bills issued in pursuance of this paragraph shall bear interest, at the rate of Five pounds per centum per annum, from the thirty-first day of March, One thousand nine hundred and twenty-one, to the date of maturity of the Bills, and the interest shall be payable upon such maturity.

10. It is further agreed that the claims indicated in the Third Schedule hereto shall be the subject of investigation by an officer representing the Imperial Treasury, and an officer representing the Commonwealth; also that those officers shall have power to determine what is due to or by each Government in respect of those sums. Where the officers agreed that a sum is to be added to the principal, the terms of this agreement shall be construed as applying to that sum: and where the officers agree to add to the interest, supplementary Treasury-bills shall be handed to the Imperial Treasury, and be subject to the provisions of this agreement:

Provided that, where the principal is so altered, the alteration shall take effect from the thirty-first day of March, One thousand nine hundred and twenty-one.

(Signed) E. D. MILLEN.

Witness—(Signed) Jas. R. Collins.

(Signed) AUSTEN CHAMBERLAIN,

Chancellor of the Exchequer.

Witness—(Signed) O. E. Niemeyer.

SCHEDULE I.

Amount of the indebtedness of the Commonwealth Government to the Imperial Government as at 31st March, 1921, deemed to be the principal under clause 1.

(1) 4½ per cent. Bonds, due 1925–1945	..	£11,500,000
(2) 3½ per cent. Book Debt	1,263,158
(3) 5 per cent. Book Debt	36,318,900
(4) War Office Capitation Account	34,500,000
(5) Admiralty Account	2,000,000
(6) Ministry of Shipping Account	1,250,000
(7) Ministry of Munitions Account	150,000

Total £86,982,058

THE FIRST SCHEDULE—*continued*.

SCHEDULE II.

Interest due by the Commonwealth Government to the Imperial Government at 31st March, 1921, which is not included in the principal, and for which the Commonwealth Government is to deposit Commonwealth Treasury-bills dated 31st March, 1921 (see clause 9).

	£	s.	d.
(1) Interest on 4½ per cent. Bonds from 2nd December, 1920, to 31st March, 1921, inclusive	171,554	15	11
(2) Interest on 3½ per cent. Book Debt from 1st October, 1920, to 31st March, 1921, inclusive	22,105	5	3
(3) Interest on 5 per cent. Book Debt from 1st October, 1920, to 31st March, 1921, inclusive	907,972	10	5
(4) Interest at 5 per cent. on £2,500,000 Book Debt repaid as to £2,000,000 on 19th October, 1920, and as to £500,000 on 26th October, 1920, from 1st October, 1920, to dates of repayment	6,986	6	0
(5) Interest at 5 per cent. on the Departmental Accounts from the due dates to the 31st March, 1921, calculated in accordance with the provisions of clauses 7 and 8 of the agreement.			

SCHEDULE III.

Amounts of the claims, or anticipated claims, on the Commonwealth Government by Departments of the Imperial Government (so far as at present known) which remain to be settled and may hereafter be added (in so far as agreed) to the principal set forth in Schedule I.

(1) War Office Contingent Account	£435,000
(2) Admiralty	1,700,000
(3) Ministry of Shipping, anticipated claim	2,750,000
(4) Ministry of Munitions	170,000
(5) Railway Warrants, 50 per cent. increase from 1st April, 1919 ..	61,000
(6) Bread Subsidy on bread and flour supplied to Commonwealth Troops by Army	60,000
Total	£5,176,000

The Commonwealth Government has certain counterclaims (in particular, £550,000 in connexion with Egyptian riots, and £200,000 in respect of Molonglo Camp). The Imperial Treasury will take cognizance of these claims, but it is agreed that the settlement of any one item on either side is not dependent on the settlement of any other item.

THE SECOND SCHEDULE.

MEMORANDUM OF AGREEMENT made this 18th day of May, 1921, BETWEEN O. E. NIEMEYER, Esq., C.B., Deputy Controller of Finance in the Imperial Treasury, and JAMES R. COLLINS, Esq., C.M.G., Secretary to the Treasury, Australia, being the officers appointed by the Imperial Treasury and the Commonwealth Government respectively under Clause 10 of the Agreement of the 2nd February, 1921, to determine outstanding matters under that Agreement.

IT IS MUTUALLY AGREED AS FOLLOWS:—

1. The sums set forth in respect of principal and interest in the first schedule of this Agreement shall be added to the sums set forth in the first and second schedules of the main Agreement respectively, and the total sums set forth in the second schedule to this Agreement shall be deemed to be the principal of the indebtedness of the Commonwealth Government to the Imperial Government and of the interest thereon due to 31st March, 1921, for the purposes of the main Agreement and the provisions of the main Agreement shall apply to such sums accordingly.

THE SECOND SCHEDULE—continued.

2. As regards the following items, the present settlement is final, and no further sums shall be added to these on either side :—

	£	s.	d.
(1) 4½ per cent. Bonds	11,500,000	0	0
(2) 3½ per cent. Book Debt	1,263,158	0	0
(3) 5 per cent. Book Debt	36,318,900	0	0
(4) Railway Warrants	60,000	0	0
(5) Bread Subsidy	60,000	0	0
(6) Molonglo Camp	132,000	0	0
(7) War Office Capitation Account	36,036,694	9	1

3. As regards other War Office claims, neither party is debarred from raising further claims in respect of items not included in the present settlement. The settlement includes a final agreed sum in respect of the retention of Australian Troops in Egypt in 1919.

4. As regards Admiralty claims (principal £3,635,000, and interest £286,060 8s. 3d.), this settlement is final for all claims in respect of goods supplied or services rendered (including supplies and work done at Imperial Dockyards and Establishments), up to 31st December, 1920, with the following exceptions :—

(i) Claims in respect of—

- (a) Allotments to dependants of officers and men serving in the Royal Australian Navy for periods subsequent to 1st January, 1920.
- (b) Pension liability for officers lent for service with the Royal Australian Navy in respect of periods since 1st October, 1920, and a similar liability for men in respect of periods from 1st January, 1920.
- (c) Salvage expenses of s.s. *Boorara*.

In these cases final accounts are not yet available, and claims will be made by the Admiralty in the ordinary way.

(ii) The settlement includes the principal sum of £52,000 in respect of the estimated cost of pay and victualling of Royal Australian Navy officers serving in His Majesty's ships for the period from 1st January, 1919, to 31st December, 1920, and of the cost of pay and victualling of Royal Australian Navy ratings serving in His Majesty's ships for the period from 1st October, 1917, to 31st December, 1920. Any adjustment required in favour of either party in respect of this item when final accounts are available, will be made both as respects principal and interest.

5. As regards the Ministry of Shipping, the settlement at £3,620,000 principal and £469,000 interest covers all claims for services or supplies to the 31st December, 1920, except that—

- (i) (a) Claims for fitting (or refitting) free ships (except life-saving appliances) engaged on Commonwealth Repatriation service will be paid to contractors direct by the Commonwealth Government as hitherto, the Ministry of Shipping continuing to certify the claims if desired.
- (b) Provision having been made in this settlement to cover balances due to contractors in respect of fitting (or refitting), the amount of such balances will accordingly be paid by the Ministry of Shipping without further recovery from the Commonwealth Government.
- (ii) Claims arising from the diversion or demurrage of free ships engaged on Commonwealth Repatriation service are excluded from the settlement.

Amounts recoverable from third parties (owners or contractors) will be recovered and retained by the Government initiating the charge.

This settlement (at £3,620,000 principal and £469,000 interest) excludes shipping transactions in respect of which the Commonwealth Government may be accountable to Departments of the Imperial Government other than the Ministry of Shipping.

6. As regards the Ministry of Munitions claim, the settlement is final at £203,928 12s. principal and £16,507 15s. 10d. interest for all payments made by the Ministry up to and including 30th April, 1921.

The settlement does not include indebtedness to the Surplus Government Property Disposal Board.

THE SECOND SCHEDULE—continued.

7. Nothing in this Agreement affects either (i) any claim by the Commonwealth Government in respect of payments made by Germany in respect of the British Army of Occupation; or (ii) any claim by the Imperial Government in respect of hire of Prize Ships.

(Signed) O. E. NIEMEYER,
Deputy Controller of Finance, H.M. Treasury.

(Signed) JAS. R. COLLINS,
Secretary to the Treasury, Australia.

Witness—(Signed) S. D. Waley,
Treasury Chambers.

Witness—(Signed) W. H. Cook.

SCHEDULE I.

(Sums to be added to Main Agreement.)

	Capital.			Interest.		
	£	s.	d.	£	s.	d.
(1) War Office Capitation Account ..	1,536,694	9	1	2,054,004	10	0
(2) Admiralty Account	1,635,000	0	0	286,000	8	3
(3) Ministry of Shipping	2,370,000	0	0	469,000	0	0
(4) Ministry of Munitions	53,928	12	0	16,507	15	10
(5) Railway Warrants	60,000	0	0			
(6) Bread Subsidy	60,000	0	0			
Gross Total ..	5,715,623	1	1			
<i>Less—</i>						
(1) Due by War Office on Contingent Account and High Commissioner's Account (net)	85,524	5	3			
(2) Due by Foreign Office on Molonglo Camp ..	132,000	0	0			
Total Set-off ..	217,524	5	3			
Net Total ..	5,498,098	15	10	2,825,572	14	1

SCHEDULE II.

(Agreed total indebtedness.)

	Capital.			Interest due to 31st March, 1921.		
	£	s.	d.	£	s.	d.
(1) 4½ per cent. Bonds	11,500,000	0	0	171,554	15	11
(2) 3½ per cent. Book Debt	1,263,158	0	0	22,105	5	3
(3) 5 per cent. Book Debt	36,318,900	0	0	914,958	16	5
(4) War Office Capitation	36,036,694	9	1	2,054,004	10	0
(5) Admiralty Account	3,635,000	0	0	286,060	8	3
(6) Ministry of Shipping	3,620,000	0	0	469,000	0	0
(7) Ministry of Munitions	203,928	12	0	16,507	15	10
(8) Railway Warrants	60,000	0	0			
(9) Bread Subsidy	60,000	0	0			
Gross Total ..	92,697,681	1	1			
<i>Deduct—</i>						
(1) Due by War Office on Contingent Account ..	111,178	15	2			
Less due to War Office on High Commissioner's A'c'..	25,654	9	11			
	85,524	5	3			
(2) Due by Foreign Office, Molonglo Camp..	132,000	0	0			
Total Set-off ..	217,524	5	3			
Net Total ..	92,480,156	15	10	3,934,191	11	8