The first and most important matter in connection with finance is the fact that, under Federation, uniform duties of Customs must be imposed within two years after the establishment of the Commonwealth, and that on the imposition of such uniform duties the power of the Federal Parliament to impose duties of Customs and excise, and to grant bounties on the production or export of goods, becomes exclusive.

The Federal Government, almost immediately after its formation, took over the collection of Customs and excise duties throughout the Commonwealth, subject to "the book-keeping" provisions of the Commonwealth Act (sections 89 and 93).

In the several Federal States the proportion of Customs and excise to total revenue varies considerably; but in some of the States the amount of annual Customs and excise to total revenue approximates closely to the interest payable in respect of the public debt of the State—

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On the 31st March, 1900, the public debt of New Zealand was ...	47,874,452
The amount of Customs and excise duties received for the year 1899–1900 was	2,187,859
The interest payable in respect of the public debt for the same year was (including sinking funds)	1,749,394
Absorbing the whole of the Customs and excise duties for the year, less	£438,465

Provision is made by section 87 (commonly called "the Braddon clause") of the Commonwealth Act that during a period of ten years after the establishment of the Commonwealth, and thereafter until Parliament otherwise provides, of the net revenue of the Commonwealth from duties of Customs and of excise not more than one-fourth shall be applied annually by the Commonwealth towards Federal expenditure, and that the balance shall, in accordance with the Constitution, be paid to the several States, or applied towards the payment of interest on the debts of the several States taken over by the Commonwealth. Until the Federal Tariff Act is passed no reliable estimate of the fiscal results of Federation can be made. The opinions of financial experts examined by your Commissioners on this subject have varied considerably. After a careful review of their evidence your Commissioners are of opinion that, in consequence of the smaller amount that would probably be yielded to New Zealand from Customs and excise duties under a Federal tariff than she now obtains, together with her contributions to the expenses of the Federal Government and new services, estimated at £110,000 annually, the revenue of the colony would be diminished by at least £450,000. This estimate is based upon the assumption that the book-keeping system will be maintained. But if that system be found unworkable in practice, as some prominent financiers predict, the loss to New Zealand under Federation may be much greater. The imports of merchandise of British and foreign origin into New Zealand through the agency of Australian mercantile firms in 1900 amounted approximately to £820,000. If the duties collected on these goods at the ports of first arrival were not credited to the State in which they were consumed, New Zealand, under a tariff averaging 15 per cent., would pay in taxation, on the basis of the imports in the year cited, the sum of £123,000 to the advantage of other States, unless some other method of distribution in proportion to contribution be devised. It has been suggested that the Federal Government should redistribute the surplus Customs and excise revenue *pro ratâ* to population; but the unequal consumption of dutiable goods in the several States, a difficulty which especially presents itself in the case of Western Australia, where there is an abnormally large adult male population, creates objections to the general adoption of this basis.

The intention of the framers of the Commonwealth Constitution, as evidenced by the provisions of section 93, was that, subject to the provision for crediting the State where dutiable goods are consumed with the duties or excise payable thereon, the Commonwealth should, during the first five years after the imposition of uniform duties of Customs, and thereafter until the Par-