

## PRIVATE FINANCE

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### BANKING

#### **Banking in 1978**

In any year, the performance of the banking sector is determined to a large extent by the Commonwealth Government's monetary policy. During 1978, this policy was aimed at restricting growth in the volume of money to a level which would allow a continuing decline in the rate of inflation together with reduced interest rates, while at the same time ensuring sufficient liquidity for economic recovery.

#### *Liquidity*

The usual pattern of deposit movement throughout a year is for liquidity to build-up strongly from July to February in preparation for large payments of provisional tax commencing in March and continuing throughout the June quarter, coupled with the final instalment of company tax in May. However, 1978 commenced with liquidity at low levels; for the eight months ended February 1978, major trading bank (MTB) deposits rose by only \$1,144m (6.7 per cent) to reach \$18,342m, contrasting with an increase of \$3,128m (20.3 per cent) for the same period in the previous year. A large increase in the non-bank private sector's portfolio of Commonwealth Government securities, in anticipation of capital gains from expected interest rate reductions, together with a large deficit on private overseas transactions — and, particularly, a high volume of capital outflow generated by fears of devaluation in the September quarter 1977 — were the major factors underlying this slow growth in deposits. Positive factors in these eight months included a strong increase in MTB loans and advances outstanding together with a Commonwealth Government domestic deficit in excess of \$4,000m.

Although the Commonwealth Government had acted to lessen the pressure in liquidity in the June quarter by collecting instalments of company tax in November 1977 and February 1978, \$1,830m (61 per cent) of the budgeted estimate for 1977-78 was outstanding at the beginning of March 1978. At the same time, \$2,663m of provisional tax remained to be collected so that overall \$4,493m of these taxes were expected to be received in the four months ended June, only \$551m less than the same period in 1977.

The low level of deposit growth indicated that liquidity could be extremely tight during the June quarter. A smaller volume of Treasury notes maturing over the quarter, compared with the June quarter of 1977, was an additional factor indicating tightness. Nevertheless, the tax payment period was negotiated relatively smoothly, as evidenced by the decline in MTB deposits of \$1,152m in the June quarter, \$280m less than the fall of \$1,432m in the same period a year earlier. The MTB ratio of liquid assets and government securities (LGS) to total deposits fell from its 1978 peak of 24.6 per cent in March to 21.4 per cent in June, a margin of 3.4 percentage points above the convention of 18 per cent and only marginally lower than the ratio of 21.5 per cent in June 1977.

Strong private net capital inflow in the March quarter, contrasting with large net outflows in the two preceding quarters, was a major factor acting to ease the strain on liquidity. This inflow resulted from the retained earnings of foreign-owned companies, kept in Australia to cover their tax commitments. An allied factor was renewed confidence in the Australian dollar exchange rate, as the level of Australia's overseas reserves lifted

and steadied in response to the Commonwealth Government's solid overseas borrowing programme which had been pursued since the September quarter 1977.

To ease liquidity during April when the bulk (\$1,249m) of provisional tax was paid, the Reserve Bank reduced the Statutory Reserve Deposit (SRD) requirement of the MTBs by one percentage point to 5.5 per cent on April 3. This was followed by a reduction of a further 1.5 percentage points on May 3, thereby assisting liquidity during the month, as the final instalment of company tax was paid.

Pressure on liquidity was also eased by a lesser reliance on overdrafts and a greater use of money market facilities to fund tax payments than in the same period of the previous year. A shortfall of \$399m in the budgeted level of provisional tax receipts, although partially offset by a \$97m surplus of company tax, was also a contributing factor.

The seasonal build-up in liquidity commenced strongly after the end of June with MTB deposits rising by \$1,006m in the September quarter. This strong growth continued in the December quarter so that the overall rise in deposits for the six months ended December was \$2,008m, compared with only \$662m in the same period of 1977. The MTB LGS ratio rose to 24.0 per cent at the end of 1978, as against 22.2 per cent for December 1977.

Many factors contributed to this rapid increase in deposit growth. Principal among these was an inflow of private capital (including balancing item) amounting to \$506m in the six months ended December as against an outflow of \$640m in the same period a year earlier (although this factor was offset to some extent by a worsening current account balance). There was also a lower increase in the non-bank private sector's holding of Commonwealth Government securities; while the take-up of these securities had been strong in the September quarter, a heavy disinvestment — resulting from diminishing expectations of further interest rate reductions — took place in November and December, so that the overall increase for the six months of \$376m was substantially lower than the \$1,100m for the same period in 1977. The Commonwealth Government's domestic deficit for the six months ended December amounted to \$3,568m, only \$119m less than for the same period of 1977. This, together with an increase in MTB loans outstanding amounting to \$264m in excess of the rise in the corresponding period a year earlier, was also a positive deposit growth factor.

Liquidity was boosted by a reduction in the SRD ratio on September 13. The 0.5 percentage point reduction provided \$90m for the MTBs to replenish their term and farm development loan funds.

#### *Money supply*

Reflecting the rapid build-up in liquidity during the six months ended December, the volume of money was 10.5 per cent higher in December 1978 than a year earlier, indicating that the projected growth range of 6 to 8 per cent for 1978-79 could be exceeded. At the end of December 1977, the annual growth rate had been 5.9 per cent, while the growth for 1977-78 was 8 per cent.

#### *Interest rates*

Consistent with a decline in inflationary expectations and the Commonwealth Government's commitment to reduce the general level of interest rates, yields on Commonwealth Government bonds were reduced in each of the four loans in 1978. Yields at the short-end declined by one percentage point, from 9.6 per cent set in the October 1977 conversion loan to 8.6 per cent in the November 1978 conversion loan. Over the same period, the yield on long-term bonds declined by 1.4 percentage points to 8.8 per cent. However, the rapid build-up in liquidity in the second half of the year led to fears of upward pressure on the rate of inflation and subsequently expectations of further interest rate reductions in the short-term diminished. Reflecting these expectations, the non-bank private sector became net sellers of these securities in November and December causing market yields at the short-end to rise marginally above those set in the November conversion loan.

The yield on 13 week Treasury notes remained unchanged throughout the year, while that of the 26 week maturities declined marginally in August and November. At the end of 1978, the interest rate on Australian Savings Bonds stood at 8.75 per cent, slightly above that on two year bonds and 0.5 percentage points lower than a year earlier.

While the seasonal increase in interest rates on certificates of deposit and commercial bills was reversed after the end of the tax payment period, short-term money market rates remained high until the end of October as speculative purchases of Commonwealth Government securities mopped up available private sector liquidity.

Following the reduction in official rates, a number of trading and savings bank interest rates were lowered during the year. Principal among these were a reduction of 0.5 percentage points in February and December in the rate charged by savings and trading banks on housing loans for owner occupation, together with small reductions on savings bank investment accounts and trading bank short-term deposits of less than \$50,000. In December, the banks reduced the rates charged on overdrafts with limits of less than \$100,000 by 0.5 percentage points, while negotiable rates on larger overdrafts also declined marginally.

#### *Bank deposits*

Total MTB deposits in Australia rose by \$1,741m (9.7 per cent) to reach \$19,601m at the end of 1978. Although this strong growth contrasted sharply with an increase of only \$152m in the previous year it was well below the increase of \$2,208m (14.2 per cent) during 1976. In 1978, current deposits grew by 11.8 per cent, well above the 3.6 per cent increase in 1977. At the same time, term deposits (including certificates of deposit) rose by 8.3 per cent. As a result, the ratio of term to total deposits declined from 57.6 per cent at the end of 1977 to 56.8 per cent in December 1978.

Savings bank deposits in Australia increased by \$1,622m (9.4 per cent) to \$18,875m, a stronger increase than the \$1,414m (8.9 per cent) rise in 1977. Investment accounts increased by 9.3 per cent but remained unchanged at 38.0 per cent of total deposits as growth in passbook and other accounts was marginally higher at 9.5 per cent.

#### *Bank lending*

New lending commitments by the MTBs peaked at \$156m a week in July 1978, averaging \$133m a week for the year, compared with an average of \$109m a week during 1977. MTB loans, advances, and bills discounted rose by \$1,712m (13.2 per cent) over the year to reach \$14,683m in December, as against an increase of \$1,229m (10.5 per cent) in 1977.

During 1978, the level of all savings bank housing and other loans outstanding increased by \$1,310m (15.1 per cent) to reach \$9,959m at December, compared with an increase of \$1,166m (15.6 per cent) in 1977. The proportion of housing and other loans outstanding to total deposits rose from 50.1 per cent to 52.8 per cent over the year.

The savings banks' capacity to lend was increased on August 29 as the Banking (Savings Bank) Regulations were amended, reducing the level of prescribed assets required to be held by them from 45 per cent to 40 per cent of total deposits.

#### *Banking in Victoria*

MTB deposits in Victoria amounted to \$4,941m at the end of 1978, an increase of \$54m (1.1 per cent) on the previous year. Victoria's share of national MTB deposits at December 1978 stood at 25.2 per cent, a fall of over two percentage points on the share of 27.4 per cent a year earlier.

Savings bank deposits in Victoria grew by \$632m (10.1 per cent) over the year ended December 1978 to reach \$6,916m compared with an increase of \$474m (8.2 per cent) during 1977. Share of all savings bank deposits in Australia was 36.6 per cent at December, up marginally from 36.4 per cent a year earlier.

At December 1978, savings bank deposits in Victoria averaged \$1,811 per head of population, up \$153 or 9.2 per cent from the preceding December average of \$1,658. The Australian-wide average rose by \$102 (8.3 per cent) to reach \$1,324 per head of population.

Further reference: History of banking in Victoria, *Victorian Year Book* 1961, pp. 625-9; Commonwealth banking legislation, 1966, pp. 648-50

#### **Reserve Bank of Australia**

The Reserve Bank of Australia is Australia's central bank. The functions, powers, and responsibilities of the Reserve Bank are spelled out in the *Reserve Bank Act* 1959, the

*Banking Act 1959*, the *Financial Corporations Act 1974*, and the regulations under those Acts. Although a major purpose of the Bank is the formulation and implementation of monetary policy, it operates a substantial banking business and provides a range of financial services. It is banker to governments, banks, and certain financial institutions; manages the note issue; and, through its Rural Credits Department, makes short-term loans to rural marketing authorities and co-operative associations of primary producers. As agent for the Commonwealth Government, the Bank distributes coinage and manages stock registries for Commonwealth Government securities. Internationally, the Bank deals with banks in foreign exchange, provides forward exchange facilities, administers exchange control, and is the custodian of Australia's gold and foreign exchange reserves.

Further reference: *Victorian Year Book 1978*, p. 511

AUSTRALIA—RESERVE BANK:  
CENTRAL BANKING BUSINESS (INCLUDING NOTE ISSUE  
DEPARTMENT): AVERAGE LIABILITIES AND ASSETS  
(\$m)

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
<b>Liabilities—</b>					
Capital and reserves	46	46	46	46	46
Special reserve—					
IMF Special Drawing Rights	202	205	217	222	276
Australian notes on issue	2,374	2,762	3,172	3,549	3,950
Statutory Reserve Deposit accounts of trading banks	462	909	1,304	1,121	870
Other deposits of trading banks	52	42	69	42	33
Deposits of savings banks	1,057	1,090	1,213	1,123	1,093
Other liabilities	1,200	748	1,255	2,282	2,815
Total	5,393	5,802	7,276	8,385	9,083
<b>Assets—</b>					
Gold and foreign exchange	3,111	2,779	2,612	2,720	3,236
Australian notes and coin	22	21	27	35	38
Cheques and bills of other banks	7	7	6	5	4
Commonwealth Government securities—					
Redeemable in Australia—					
Treasury bills and notes	147	1,290	1,758	2,315	2,300
Other	1,041	907	2,190	2,453	2,590
Bills receivable and remittances in transit	48	69	78	82	86
Loans, advances, and all other assets	1,017	729	605	775	829
Total	5,393	5,802	7,276	8,385	9,083

AUSTRALIA—RESERVE BANK: RURAL CREDITS  
DEPARTMENT: AVERAGE LIABILITIES AND ASSETS  
(\$m)

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
Liabilities (excluding capital and contingencies)	147.3	201.2	289.0	483.1	549.3
Assets (loans, advances, etc.)	200.2	258.5	350.3	549.3	619.4

*Foreign exchange developments*

Foreign exchange business in Australia is governed by the Banking (Foreign Exchange) Regulations of the *Banking Act 1959*. These regulations prohibit persons from entering into foreign exchange transactions without authority from the Reserve Bank and also provide that exchange rates used in the conversion of Australian currency into foreign currency, or vice versa, must be those fixed or authorised by the Bank. With minor exceptions, related to travel business, the Reserve Bank has to date authorised only banks in Australia to deal in foreign currencies.

*Exchange rates*

Australia has a managed, flexible exchange rate supported by a framework of exchange controls (relating to both spot and forward transactions).

Until late 1971, the exchange rate for the Australian dollar was linked to sterling. In December 1971, the Commonwealth Government decided on a fixed link of the Australian dollar to the US dollar rather than to sterling. On 25 September 1974, the direct link with the \$US was replaced by a peg to a trade-weighted basket of currencies. The Reserve Bank continued to publish each day the exchange rate for the Australian dollar in terms of US dollars but its value was varied from day to day against the \$US (and other currencies) so as to maintain constant the value of the \$A in terms of a basket of currencies of countries with which Australia trades, weighted in accordance with the trading significance to Australia of each country.

Since November 1976, the arrangement for setting the exchange rate has comprised a *variable* link to the trade-weighted currency basket, rather than the fixed peg. Under these arrangements, frequent small shifts in the relationship of the \$A to the "basket" of currencies may occur through adjustments to the trade-weighted index.

AUSTRALIA—TRADE-WEIGHTED INDEX OF VALUE OF  
AUSTRALIAN DOLLAR

Date	Mid-rate (a) (\$US = \$A1)	Trade-weighted index (b) (May 1970 = 100)
31 December 1976	1.0864	92.2
31 March 1977	1.1031	92.5
30 June 1977	1.1155	92.5
30 September 1977	1.1076	91.5
30 December 1977	1.1414	89.4
31 March 1978	1.1431	87.5
30 June 1978	1.1475	86.2
29 September 1978	1.1566	83.6
29 December 1978	1.1505	82.7
30 March 1979	1.1182	82.3
29 June 1979	1.1211	83.1
28 September 1979	1.1298	83.5
31 December 1979	1.1055	83.3

(a) The rate is the mid-point of the outer limits set by the Reserve Bank at which banks in Australia may deal for spot transactions.

(b) Index of average value of \$A vis-a-vis currencies of Australia's trading partners.

*Forward exchange*

Facilities, which are underwritten and regulated by the Reserve Bank are provided by the trading banks to allow Australian exporters and importers to offset their forward exchange risks and to fix from the outset the amount of Australian currency they are to receive or pay under contracts written in foreign currencies. Since June 1974, to be eligible to use these facilities, a trader must lodge an application with a bank within seven days of a coverable exchange risk being incurred.

The lack of access to officially supported forward facilities by traders who are outside the "seven-day" eligibility period, or by businesses with foreign currency risks arising from capital transactions, has made room for private sector initiatives to provide alternative facilities. One such initiative, the currency hedge market, has been operating on a loosely structured basis for some years. In June 1979, the Australian banks introduced currency hedging facilities and the Sydney Futures Exchange Limited is establishing a currency futures market in conjunction with commodities futures markets.

*Exchange control*

Without the prior authority of the Reserve Bank, residents may not undertake external transactions and non-residents may not undertake transactions in Australia. Exchange control at present is mainly concerned with the regulation of the inflow and outflow of capital. Administratively, this also requires a surveillance of current account transactions (exports, imports, dividends, freight, etc.). A brief history of exchange control in Australia, an outline of its legal basis, and a summary of the main current policies are contained in the booklet *Exchange Control* published by the Reserve Bank.

### Commonwealth Banking Corporation

The Commonwealth Banking Corporation, established under the *Commonwealth Banks Act 1959*, came into being on 14 January 1960, and is the controlling body for the Commonwealth Trading Bank of Australia, the Commonwealth Savings Bank of Australia, and the Commonwealth Development Bank of Australia.

The Corporation Board consists of three *ex officio* members, namely, the Managing Director and Deputy Managing Director of the Corporation and the Secretary to the Treasury, plus eight members (who include the Chairman and Deputy Chairman) appointed from private enterprise other than the private banking industry.

It is the duty of the Board, within the limits of its powers, to ensure that the policy of the Corporation and the banking policy of the Trading Bank, of the Savings Bank, and of the Development Bank are directed to the advantage of the people of Australia and have due regard to the stability and balanced development of the Australian economy.

### Commonwealth Trading Bank of Australia

The Commonwealth Trading Bank of Australia is a member bank of the Commonwealth Banking Corporation and has a network of more than 1,200 branches and agencies throughout Australia. It also has a comprehensive network of agents and correspondent banks overseas and branches in London, Papua New Guinea, the Solomon Islands, and Norfolk Island, an agency in New York, and a representative office in Hong Kong.

The Bank is one of the largest Australian trading banks; it offers a full range of domestic and international banking facilities including portfolio management, nominee and share registry, travel, and Bankcard services. It also provides general finance services through CBFC Limited (jointly owned with the Commonwealth Savings Bank of Australia) and merchant bank facilities through Australian European Finance Corporation Limited (23 per cent owned).

### AUSTRALIA—COMMONWEALTH TRADING BANK: DEPOSITS, ADVANCES, AND NUMBER OF ACCOUNTS

At 30 June—	Deposits repayable in Australia (average for month of June)			Advances	Number of accounts
	Bearing interest	Not bearing interest	Total		
	\$m	\$m	\$m	\$m	'000
1975	2,060	1,068	3,128	2,180	1,556
1976	2,310	1,297	3,607	2,424	1,596
1977	2,673	1,314	3,987	2,544	1,622
1978	2,942	1,218	4,160	3,002	1,685
1979	3,140	1,738	4,878	3,397	1,769

### Commonwealth Savings Bank of Australia

The Commonwealth Savings Bank of Australia (CSB) is the largest savings bank in Australia, having total assets at 30 June 1979 of \$7,536m. Deposits with the CSB are guaranteed by the Commonwealth Government.

The CSB offers a full range of savings bank deposit services, including personal savings accounts, joint accounts, trust accounts, Savings Investment Accounts (which offer an interest rate higher than normal savings bank interest), and passbook or cheque accounts for clubs and societies. The Bank operates a Christmas Club, deposits in which, plus interest, are repaid by cheque in December of each year. At 30 June 1979, the 1979 Christmas Club had over 335,000 contributing members whose balances had reached \$32m. Jointly with the Commonwealth Trading Bank, the Commonwealth Savings Bank provides a full travel service, known as Travelstrength Limited, as well as providing finance for leasing, hire-purchase, mortgage loans, and commercial and personal instalment loans through its subsidiary CBFC Ltd.

At 30 June 1979, amounts on deposit with the CSB totalled \$7,103m. The CSB was conducting 8,281,000 active accounts and its services were available through an Australia-wide network of 1,202 branches and sub-branches as well as 5,801 agencies.

The CSB maintains the largest commercial on-line computer system in Australia with 1,655 terminals installed at branches and over eight million accounts being processed by computer.

The CSB's depositors' balances are invested widely in the development of Australia; apart from advances (mainly for housing) of \$3,534m outstanding at 30 June 1979, investments in Commonwealth and State Government securities totalled \$1,403m, and in local and semi-governmental securities amounted to \$1,906m.

During 1978-79, the CSB remained Australia's largest lender for housing and approved housing loans totalling \$807m, providing 32 per cent of all housing loan finance made available by savings banks. A feature of the CSB's housing lending programme in 1978-79 was the continuing demand for its house insurance scheme. Housing loan borrowers may, if they choose, insure their homes against fire and certain other risks with the CSB's insurance scheme, the premiums being paid monthly with the housing loan instalment.

In 1978-79, the CSB continued its long-established programme of support to local and semi-government bodies by providing loans of \$275m for the supply of community services.

The Commonwealth Savings Bank and the Commonwealth Trading Bank provide special services to facilitate the assimilation of newcomers to Australia through the Australian Financial and Migrant Information Service in London, Migrant Information Services in all mainland cities and selected regional areas, and agencies conducted on migrant vessels and at hostels.

**AUSTRALIA—COMMONWEALTH SAVINGS BANK: NUMBER OF  
ACTIVE ACCOUNTS, AMOUNT AT CREDIT OF DEPOSITORS,  
LOANS AND ADVANCES OUTSTANDING, ETC.**

At 30 June—	Number of active accounts	Amount at credit of depositors	Loans and advances outstanding	Commonwealth and other securities held
	'000	\$m	\$m	\$m
1975	7,865	4,840	1,940	2,576
1976	8,026	5,423	2,406	2,697
1977	8,156	5,961	2,811	2,749
1978	8,192	6,564	3,191	2,958
1979	8,281	7,103	3,534	3,309

*Commonwealth Development Bank of Australia*

The Commonwealth Development Bank of Australia, which commenced operations on 14 January 1960, provides finance for purposes of primary production and for the establishment or development of business undertakings (including undertakings relating to primary production), particularly small undertakings. In fulfilling its lending function, the Bank provides finance which, in its opinion, would not otherwise be available on reasonable and suitable terms and conditions. It therefore supplements the lending activities of other banks or sources of finance.

Within the above broad outlines, an overriding consideration in determining the administrative policy of the Bank is the need to ensure that the funds it has available for lending are applied towards those proposals which have the more important developmental and economic features.

Finance is usually made available by means of medium to long-term loans, repayable over a period suited to the circumstances of each individual borrower.

With regard to rural activities, loans are made available for a wide range of rural purposes, including restructuring unsuitable private mortgage debts or helping with probate or similar payments. Assistance is given to purchase of properties for farm build-up and other appropriate circumstances. The Bank normally expects applicants for rural loans to be actually or prospectively engaged in rural production as a principal activity.

The Commonwealth Development Bank also assists the Australian fishing industry by way of loans for the purchase of construction of new fishing vessels, assistance with the purchase of gear and ancillary equipment, and loans to improve the operating performance and functional activity of older fishing vessels. It provides loans to finance

change of ownership of fishing vessels in appropriate circumstances as well as to finance the repayment of existing debts on fishing vessels arranged on unsuitable terms and conditions.

In assisting the forestry industry, the Bank expects that the finance it provides would lead to increased production or improved efficiency.

The words "business undertakings" are interpreted by the Commonwealth Development Bank as applying to all kinds of business including mining and undertakings relating to primary production. The Bank is obliged to ensure that the finance it provides to business undertakings will assist in their establishment or development and is particularly concerned with assisting smaller undertakings. Within this concept the Bank does not approve loans, except in special circumstances, which merely involve change of ownership of assets or the taking over of debts from another lender, nor does it provide finance for working capital except in cases where the need for such assistance clearly arises from a developmental project being financed by the Bank.

The Bank also provides finance under hire purchase or other appropriate instalment payment arrangements for the acquisition of income-earning plant and equipment (including commercial vehicles) used in primary production and business undertakings.

The Commonwealth Development Bank has a well qualified staff of specialist rural officers, investigating accountants, and engineering consultants, and under its charter provides advice and assistance with a view to promoting the efficient organisation and conduct of primary production and business undertakings.

Loan approvals for the year ended 30 June 1979 numbered 2,349 for a total amount of \$89.9m and equipment finance approvals numbered 5,267 for a total amount of \$59.8m.

**AUSTRALIA—COMMONWEALTH DEVELOPMENT BANK:  
OUTSTANDING LOAN BALANCES AT 30 JUNE 1979  
(\$'000)**

Rural loans		Business loans	
Type of industry	Amount	Type of industry	Amount
Beef cattle	65,919	Manufacturing	37,443
Sheep	73,047	Transport, storage, and communication	1,590
Dairying	27,284	Commerce — retail and wholesale	2,312
Other livestock	14,855	Building and construction	1,136
Wheat	56,434	Fishing	12,207
Other grain crops	17,945	Tourism	5,606
Fruit	12,092	Sawmilling	1,740
Other rural industry	23,950	Other business and services	2,537
<b>Total</b>	<b>291,526</b>	<b>Total</b>	<b>64,573</b>

Further reference: Australian Resources Development Bank Ltd, *Victorian Year Book 1970*, pp. 688-9

### Trading banks

The following tables show operations of trading banks in Victoria:

**VICTORIA—TRADING BANKS: NUMBER OF BRANCHES AND AGENCIES**

Bank	At 30 June 1978		At 30 June 1979	
	Branches	Agencies	Branches	Agencies
<b>Major trading banks—</b>				
Commonwealth Trading Bank of Australia	174	69	178	71
Australia and New Zealand Banking Group Ltd	305	50	300	49
The Bank of Adelaide	2	1	3	—
Bank of New South Wales	202	8	205	6
The Commercial Bank of Australia Ltd	182	22	181	22
The Commercial Banking Co. of Sydney Ltd	151	19	151	18
The National Bank of Australasia Ltd	242	55	241	55
<b>Total major trading banks</b>	<b>1,258</b>	<b>224</b>	<b>1,259</b>	<b>221</b>



VICTORIA—TRADING BANKS: NUMBER OF BRANCHES AND AGENCIES—*continued*

Bank	At 30 June 1978		At 30 June 1979	
	Branches	Agencies	Branches	Agencies
Other trading banks—				
Bank of New Zealand	1	—	1	—
Banque Nationale de Paris	1	—	1	—
Total other trading banks	2	—	2	—
Total all trading banks	1,260	224	1,261	221
Melbourne metropolitan area	781	116	788	110
Remainder of Victoria	479	108	473	111

## VICTORIA—MAJOR TRADING BANKS: AVERAGES (a) OF DEPOSITS AND ADVANCES, MONTH OF JUNE 1978 (\$'000)

Bank	Deposits repayable in Australia			Loans (b), advances and bills discounted
	Not bearing interest	Bearing interest	Total	
Commonwealth Trading Bank of Australia	270,978	418,813	689,790	685,224
Private trading banks—				
Australia and New Zealand Banking Group Ltd	559,147	748,002	1,307,149	1,053,703
The Bank of Adelaide	6,669	6,139	12,808	11,448
Bank of New South Wales	239,692	447,736	687,427	524,066
The Commercial Bank of Australia Ltd	247,990	361,453	609,443	504,549
The Commercial Banking Co. of Sydney Ltd	141,307	217,828	359,134	256,355
The National Bank of Australasia Ltd	367,196	575,006	942,202	653,284
Total	1,832,977	2,774,974	4,607,951	3,688,629

(a) Averages of amounts at close of business on Wednesday of each week.

(b) Excludes loans to authorised dealers in the short-term money market.

## VICTORIA—MAJOR TRADING BANKS: AVERAGES (a) OF DEPOSITS AND ADVANCES, MONTH OF JUNE 1979 (\$'000)

Bank	Deposits repayable in Australia			Loans (b), advances and bills discounted
	Not bearing interest	Bearing interest	Total	
Commonwealth Trading Bank of Australia	316,124	505,190	821,313	770,356
Private trading banks—				
Australia and New Zealand Banking Group Ltd	620,389	750,135	1,370,524	1,110,911
The Bank of Adelaide	9,186	11,218	20,403	11,712
Bank of New South Wales	261,474	391,898	653,372	559,101
The Commercial Bank of Australia Ltd	290,306	366,868	657,174	511,270
The Commercial Banking Co. of Sydney Ltd	153,854	222,170	376,023	316,865
The National Bank of Australasia Ltd	410,346	565,125	975,471	706,625
Total	2,061,679	2,812,602	4,874,280	3,986,840

(a) Averages of amounts at close of business on Wednesday of each week.

(b) Excludes loans to authorised dealers in the short-term money market.

## VICTORIA—MAJOR TRADING BANKS: AVERAGES OF DEPOSITS (a) AND ADVANCES (\$'000)

Month of June—	Deposits repayable in Australia			Loans (b), advances and bills discounted
	Not bearing interest	Bearing interest	Total	
1975	1,437,328	2,415,570	3,852,898	2,751,212
1976	1,689,359	2,690,412	4,379,771	3,015,321
1977	1,746,788	3,003,300	4,750,088	3,408,171
1978	1,832,957	2,774,974	4,607,931	3,688,647
1979	2,061,679	2,812,602	4,874,280	3,986,840

(a) Averages of amounts at close of business on Wednesday of each week.

(b) Excludes loans to authorised dealers in the short-term money market.

**VICTORIA—MAJOR TRADING BANKS: ADVANCES TO CATEGORIES  
OF BORROWERS**  
(\$m)

Classification	At second Wednesday of July—				
	1975	1976	1977	1978	1979
<b>Resident borrowers—</b>					
<b>Business advances—</b>					
Agriculture, grazing, and dairying	261.3	276.9	290.8	301.6	333.1
Manufacturing	571.0	595.9	620.5	717.8	697.3
Transport, storage, and communication	63.0	54.5	56.9	57.5	58.9
Finance	315.3	214.9	224.4	293.1	253.3
Commerce	330.3	368.7	409.0	408.4	471.3
Building and construction	94.1	108.8	121.2	130.3	128.1
Other businesses	431.4	486.8	579.4	493.2	462.2
Unclassified	28.4	57.9	70.6	72.1	106.1
<b>Total business advances</b>	<b>2,094.7</b>	<b>2,164.5</b>	<b>2,372.8</b>	<b>2,474.0</b>	<b>2,510.3</b>
Advances to public authorities	63.3	71.0	113.2	58.9	53.2
Personal advances	614.5	821.6	1,037.6	1,184.6	1,400.7
Advances to non-profit organisations	32.3	32.8	35.5	39.7	39.5
<b>Total advances to resident borrowers</b>	<b>2,804.8</b>	<b>3,090.0</b>	<b>3,559.2</b>	<b>3,757.2</b>	<b>4,003.8</b>
Non-resident borrowers	4.6	5.4	5.7	2.6	4.8
<b>Grand total</b>	<b>2,809.5</b>	<b>3,095.4</b>	<b>3,564.9</b>	<b>3,759.8</b>	<b>4,008.5</b>

The following table shows the average weekly amounts for June each year debited by trading banks to customers' accounts. Particulars relate to the operation of all trading banks transacting business in Victoria (as set out in the first table on pages 480-1) and, in addition, the Rural Credits Department of the Reserve Bank and the Commonwealth Development Bank. Debits to Commonwealth and Victorian Government accounts at Melbourne city branches are excluded from the table.

**VICTORIA—TRADING BANKS : AVERAGE  
WEEKLY DEBITS TO CUSTOMERS' ACCOUNTS**  
(\$m)

June	Average weekly debits	June	Average weekly debits
1973	2,551.3	1977	5,209.3
1974	2,932.5	1978	5,552.6
1975	3,334.9	1979	7,501.1
1976	4,442.3		

**State Bank**

The State Bank, formerly known as the State Savings Bank of Victoria, which was established in 1841, is constituted under Victorian statutes and operates branches and agencies throughout Victoria. It is directed by a Victorian Government appointed board of seven commissioners, who exercise control through the general manager and his two deputies. The business of the Bank is conducted in two departments, the Savings Bank Department and the Credit Foncier Department.

The Savings Bank Department accepts interest-bearing deposits through passbook, school bank, coupon club accounts, and deposit stock and term deposits. It provides cheque accounts, safe deposits, and a wide range of other banking services. The funds are principally invested in loans to semi-governmental, municipal, and other public authorities within Victoria; loans on the security of first mortgage over freehold land for houses and farms, either directly or through investment in the debentures of the Credit Foncier Department; secured and unsecured loans for personal and other purposes; and in Commonwealth Government securities.

The Credit Foncier Department, which is wholly financed by the Savings Bank Department, also makes long-term loans to finance the erection and purchase of homes.

The State Bank is the largest savings bank in Victoria, having assets of \$3,922m at 30 June 1979. The total deposits of its 3,803,917 operative accounts, held at 533 branches

and sub-branches and 487 agencies, amounted to \$3,469m which represented approximately 48.1 per cent of all savings bank balances in Victoria.

Under a 1957 amendment to the State Savings Bank Act, the Bank was empowered to conduct cheque accounts which, except in the case of certain non-profit organisations, do not bear interest. At 30 June 1979, the Bank held 435,325 cheque accounts with balances of \$287m.

At 30 June 1979, 309 branches were served by a computer complex at the Bank's Head Office. These included 284 directly linked by telegraph line. The computer also processed many Head Office accounting functions.

A Christmas Club has operated since November 1964 and a Calendar Club with a variable term arrangement since 1971. For the year ending 30 June 1979, \$27.6m was paid out to members of the Christmas Club, and \$7.0m to members of the Calendar Club.

Secured and unsecured personal loans were introduced in November 1963. At 30 June 1979, 92,787 borrowers owed \$272.8m.

A 1973 Act removed a requirement for approval of the Governor in Council to changes in interest rates. This had involved administrative delays which sometimes placed the Bank at a competitive disadvantage.

The Bank's powers were extended significantly in 1973 by amendments to the Savings Bank Act. A notable change, aimed at assisting decentralisation, was a provision enabling the Bank to lend funds to the newly established Victorian Development Corporation.

A new legislative provision introduced after the 1973 Victorian Budget required that, from 30 June 1974, one-half of the annual net profits of the Savings Bank Department would be paid into Consolidated Revenue. This provision was consistent with the general practice of other government banks in Australia.

To provide banking facilities for a rapidly expanding population, and to replace agencies formerly conducted by private banks, the State Bank increased the number of its branches and sub-branches from 267 in 1956 to 533 in 1979. In the same period, many of the Bank's older branches were re-built or modernised to provide attractive premises for clients and staff.

Depositors' balances have increased from \$528.6m at 30 June 1956, the year in which private banks entered the savings field, to \$3,469m at 30 June 1979.

### *State Bank lending*

#### *Housing and farm loans*

The State Bank has been the largest single source of housing finance in Victoria since it introduced low cost long-term mortgage loans in 1910. At 30 June 1979, 112,465 housing loan borrowers owed a total debt of \$1,637m.

In less direct ways the Bank provides further assistance to home seekers. Overdraft facilities have been provided to co-operative housing societies and, at 30 June 1979, \$22.5m was owed to the Bank by co-operative societies. The Bank also provides funds to the Home Finance Trust which, at 30 June 1979, owed the bank \$8.6m.

Rural interests are well served by long-term mortgage loans or short-term personal loans. In addition, the Bank is a shareholder in the Primary Industry Bank of Australia Ltd (P.I.B.A.) and supplements its traditional lending to the rural sector with loans re-financed through P.I.B.A. Advances to farmers totalled \$6.6m in 1978-79 and at 30 June 1979, \$32.9m was outstanding from 1,720 borrowers.

#### *Loans for essential services*

Houses require such services as water, power, and sewerage, while such amenities as made roads, nearby baby health centres, and recreation areas are also important adjuncts to family living. The Bank lends considerable support to the semi-governmental and municipal authorities responsible for providing these services; the amount invested with them at 30 June 1979 was \$763m.

#### *Loans to churches, schools, social organisations, etc.*

The Bank has always been a source of finance for the erection of churches, school buildings, and community halls, and for the provision of associated amenities. The advances to borrowers during 1978-79 totalled \$1.4m.

*Overdraft lending*

Following amendments to the State Savings Bank Act which were proclaimed during 1978, the Bank extended overdraft lending to small business customers in April 1979. In conjunction with other lending operations, this new facility enables the Bank to offer a full, competitive banking service to its small business customers.

*Other facilities**School banking*

The State Bank's school bank system was introduced in 1912. At 30 June 1979, banking was provided at 2,438 schools for 466,033 depositors whose balances totalled \$12.6m.

*Foreign currency transactions*

In May 1979, the Bank became a participating member of the newly formed Inter-Bank Foreign Currency Hedge Market to enable customers dealing in foreign trade and capital transactions to obtain cover against exchange risks associated with their forward commitments.

*Other*

The Bank also provides other services such as industrial savings facilities, bankcards, and facilities for travellers interstate and overseas.

## VICTORIA—STATE BANK: DEPOSITORS' ACCOUNTS AND TRANSACTIONS

Year	Depositors' accounts at 30 June		Transactions		Interest paid
	Number	Amount	Deposits	Withdrawals	
	'000	\$'000	\$'000	\$'000	
1974-75	3,406	2,225,639	8,492,067	8,169,974	114,256
1975-76	3,497	2,575,292	9,638,308	9,505,732	134,671
1976-77	3,588	2,850,196	12,537,767	12,446,814	147,109
1977-78	3,691	3,127,894	12,088,914	12,063,166	163,599
1978-79	3,804	3,469,055	14,098,620	14,031,665	177,729

VICTORIA—STATE BANK: ADVANCES AND BALANCES  
OUTSTANDING FOR MORTGAGE AND OTHER LOANS (a),  
SAVINGS BANK AND CREDIT FONCIER DEPARTMENTS  
(\$m)

Year	Advances				Balances outstanding at end of year	
	Savings bank			Credit foncier	Savings bank	Credit foncier
	Housing (b)	Farms	Churches, etc.			
1974-75	277.3	3.6	0.9	0.4	766.2	91.2
1975-76	302.4	4.0	1.3	0.4	991.6	75.4
1976-77	330.0	3.2	1.5	0.1	1,219.0	61.8
1977-78	350.9	4.1	1.1	0.1	1,453.4	50.1
1978-79	352.6	6.6	1.4	—	1,664.6	40.3

(a) Excludes personal loans and loans to finance the extension of electric power lines in rural areas.

(b) Excludes loans to co-operative housing societies and deposits with the Home Finance Trust.

The reserves of the State Bank at the end of each of the five years to 1978-79 were: 1974-75, \$67.2m; 1975-76, \$74.5m; 1976-77, \$89.4m; 1977-78, \$107.7m; and 1978-79 \$127m.

Further reference: *History of the State Savings Bank, Victorian Year Book 1961*, pp. 630-4

**Private savings banks**

Private savings banks have been operating in Victoria since January 1956, when two banks commenced operations in this field, and by July 1962, seven banks were participating in this business. The number was reduced to six from 1 October 1970, and increased to seven again from August 1972.

**VICTORIA—PRIVATE SAVINGS BANKS:  
DEPOSITS AND PROPORTION OF ALL  
VICTORIAN SAVINGS BANK DEPOSITS**

At 30 June—	Deposits in Victoria	Proportion of deposits with all savings banks in Victoria
	\$'000	per cent
1975	1,386,568	29.7
1976	1,685,462	31.3
1977	1,885,959	31.6
1978	2,059,088	31.4
1979	2,265,017	31.4

At 30 June 1979, private savings banks had 1,082 branches and 546 agencies throughout Victoria.

The following table shows the amount of depositors' balances in each savings bank in Victoria at 30 June 1975 to 1979:

**VICTORIA—SAVINGS BANKS: DEPOSITS**

Savings bank	Depositors' balances at 30 June—				
	1975	1976	1977	1978	1979
	\$'000	\$'000	\$'000	\$'000	\$'000
State Bank (a)	2,303,497	2,574,500	2,849,284	3,126,660	3,467,642
Commonwealth Savings Bank of Australia	978,443	1,117,655	1,242,289	1,366,780	1,478,579
Private savings banks— Australia and New Zealand					
Savings Bank Ltd	479,483	565,534	620,913	675,553	733,416
The Bank of Adelaide Savings Bank Ltd	2,976	3,737	3,933	4,466	5,393
Bank of New South Wales Savings Bank Ltd	295,282	365,440	414,550	452,941	494,292
Bank of New Zealand Savings Bank Ltd	508	512	591	703	949
The Commercial Savings Bank of Australia Ltd	181,162	219,125	248,270	272,616	306,751
C.B.C. Savings Bank Ltd	154,612	194,868	225,287	243,433	268,048
The National Bank Savings Bank Ltd	272,545	336,246	372,415	409,376	451,290
<b>Total deposits</b>	<b>4,668,508</b>	<b>5,377,617</b>	<b>5,977,532</b>	<b>6,552,528</b>	<b>7,206,360</b>
	\$	\$	\$	\$	\$
Deposits per head of population	1,270	1,464	r 1,588	1,719	1,878

(a) Including school bank and deposit stock accounts, but excluding balances held in London.

**FINANCIAL INSTITUTIONS (OTHER THAN BANKS)**

**Introduction**

Financial institutions specialise in borrowing and lending funds. They act as intermediaries between holders of surplus funds (i.e., funds surplus to their current spending or investment requirements) and seekers of funds (whose current and/or future fund requirements exceed their holdings of liquid funds). This intermediation activity can be distinguished from direct financing where lenders and borrowers actually meet or where firms, for instance, raise capital from primary lenders. The success of financial intermediaries is dependent on their ability to satisfy the needs of borrowers and lenders efficiently. In this context their ability to meet not only existing needs but emerging demands is of paramount importance.

In line with the rapid transformation of the Australian economy over the last twenty years, the range and variety of financial institutions have expanded considerably. Some general factors contributing to the growth of the Australian private financial sector include

changes in the industrial structure of the economy, changing levels of incomes and wealth, and changes in community spending patterns. These factors have in turn led to altered preferences for asset acquisition—between physical and financial assets—and to the development of preferences for particular types of financial assets. Price expectations, anticipated income levels, community views on real and nominal rates, and the general level of business and consumer confidence also play a part in the eventual demand for financial assets.

The expansion of the financial sector has been paralleled by the development of a range of government policies and regulations for social and economic objectives. These have been implemented with the aim of protecting lenders through limiting risks on some claims, influencing the allocation of funds and/or by affecting the relative attractiveness of different sorts of liabilities and assets. Official controls exercised upon some of the financial institution groups, e.g., in portfolio structure (particularly the holding of government securities), officially controlled interest rate ceilings, and asset ratio requirements, have been instrumental in affecting relative rates of growth between finance groups.

In January 1979, the Commonwealth Treasurer announced the establishment of a committee to inquire into the Australian financial system. The Committee's terms of reference instruct it to inquire into, report, and make recommendations on the structure and methods of operation of the financial system and the regulation and control of the system. This inquiry is the first into the workings of the financial system since the 1937 Royal Commission into Monetary and Banking Systems in Australia.

The following table shows the categories of financial organisations operating in the Australian economy:

#### AUSTRALIA—TOTAL ASSETS OF FINANCIAL INSTITUTIONS

Financial institutions	At 30 June—				
	1974	1975	1976	1977	1978 p
	AMOUNT OF TOTAL ASSETS				
	\$m	\$m	\$m	\$m	\$m
Trading banks	r15,622	r18,458	r20,970	23,299	25,202
Savings banks	r11,765	r13,646	r15,568	17,294	19,026
Other banking institutions	737	r871	r1,041	1,105	1,197
Banks (consolidated) (a)	r26,981	r31,708	r36,428	40,523	44,226
Reserve Bank	r5,685	r5,356	r6,193	8,057	8,679
Life insurance offices	8,282	8,909	9,703	10,503	11,568
Public pension funds	2,633	r2,985	r3,551	4,085	4,759
Private pension funds	r2,462	r2,810	r3,285	3,816	4,427
Non-life insurance offices	r3,059	r3,433	r4,390	5,942	6,833
Finance companies (b)	r9,364	r9,943	r11,797	13,793	15,709
Merchant banks	2,249	2,442	r2,950	3,356	3,873
Building societies	r4,368	r5,049	r6,106	7,503	8,752
Authorised money market dealers	488	889	r1,053	1,147	1,505
Credit co-operatives	484	633	r839	1,066	1,342
Pastoral finance companies	850	837	883	(c) 760	824
Unit trusts, land trusts, and mutual funds	393	387	r396	415	447
Investment companies	418	381	r416	484	529
Other financial institutions	r858	1,005	r1,170	1,282	1,365
<b>Total</b>	<b>r68,574</b>	<b>r76,767</b>	<b>r89,160</b>	<b>102,732</b>	<b>114,838</b>
	PROPORTION OF TOTAL ASSETS				
	per cent	per cent	per cent	per cent	per cent
Trading banks	r22.8	r24.0	r23.5	22.7	21.9
Savings banks	r17.2	r17.8	r17.5	16.8	16.6
Other banking institutions	1.1	1.1	1.2	1.1	1.0
Banks (consolidated) (a)	r39.3	r41.3	r40.9	39.5	38.5
Reserve Bank	r8.3	r7.0	r6.9	7.8	7.6
Life insurance offices	r12.1	r11.6	r10.9	10.2	10.1
Public pension funds	r3.8	3.9	r4.0	4.0	4.1

AUSTRALIA—TOTAL ASSETS OF FINANCIAL INSTITUTIONS—*continued*

Financial institutions	At 30 June—				
	1974	1975	1976	1977	1978 p
Private pension funds	r3.6	r3.7	r3.7	3.7	3.9
Non-life insurance offices	r4.5	r4.5	r4.9	5.8	5.9
Finance companies (b)	r13.7	r12.9	r13.3	13.5	13.7
Merchant banks	r3.3	3.2	r3.3	3.3	3.4
Building societies	r6.4	r6.6	r6.8	6.2	6.5
Authorised money market dealers	0.7	1.2	1.2	1.1	1.3
Credit co-operatives	0.7	0.8	0.9	1.0	1.2
Pastoral finance companies	1.2	r1.0	1.0	(c) 0.7	0.7
Unit trusts, land trusts, and mutual funds	0.6	0.5	r0.4	0.4	0.4
Investment companies	r0.6	0.5	0.5	0.5	0.5
Other financial institutions	1.2	1.3	1.3	1.2	1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

(a) Discrepancies in totalling "trading banks", "savings banks", and "other banking institutions" are a result of netting effects.

(b) Including assets of general financiers, i.e., companies other than those borrowing from the general public.

(c) Break in series.

### Historical development

It should be noted that the importance of these institution groups cannot be exclusively gauged from their size, or even relative sizes. Some may be quite important as brokers between borrowers and lenders, while holding very small assets on their own account. Aspects such as competitive relationships between groups and changes in roles or functions are not evident, and a clear distinction is difficult between some of the categories, e.g., finance companies and merchant banks.

The commercial banking sector which in 1953 had almost 52 per cent of total assets was, twenty-five years later, in a less dominant position with about 38 per cent. This relative decline was greatest during the 1950s when increasing financial needs encouraged the growth of more specialist intermediaries and restrictive monetary policies tended to weaken the banks' competitive position—banks subsequently acquired direct and indirect equity interests in finance companies and merchant banks.

During the 1960s, official policies and attitudes became directed towards improving the competitiveness of the banking system and ensuring that controls were more market-oriented. Trading banks recorded a 7.4 per cent annual growth rate compared with 9.5 per cent for all institutions during the 1960s, reflecting the steady decline in demand deposits as a proportion of investors' portfolios. Banks have generally sought to provide a fairly comprehensive range of financial services, while other financial institutions have tended to concentrate on specialist areas or in new and more rapidly expanding sectors of finance. However, over recent years there has been a clear strengthening of banks' competitiveness compared with other institutions. On the borrowing side greater flexibility has been introduced in fixed deposit terms and the introduction of certificates of deposit, while on the lending side, new arrangements allowing banks greater discretion in the setting of overdraft rates have been of prime importance in enabling trading banks to recoup ground lost previously to other financial intermediaries.

Major factors affecting the growth of savings banks over the last twenty years have been the entry of the private savings banks in the 1950s and, in more recent times, the pressing competition of the permanent building societies. In the past decade, the growth rate of the building societies has been very rapid, reflecting such factors as rising incomes, expectations within the community as to the standard of housing demanded, and the widening of the deposit gap. The societies' ability to service the demand for larger loans and higher percentage (of valuation) loans has been facilitated by the introduction of mortgage insurance in 1965.

Inflation has brought major problems for the life insurance industry. It has eroded the value of sums insured on one hand and, on the other, has increased operating costs and reduced investment returns.

In the 1975-76 Budget, the Commonwealth Government introduced a General Rebate which credited taxpayers with expenditure of \$1,350 on what were previously concessional deductions—for medical, educational and other expenses, life insurance premiums, and

superannuation contributions. A 40 per cent tax rebate was applied. In the 1977-78 Budget, the General Rebate was abolished and a free threshold income was introduced. Concessional expenditure over \$1,590 was allowed as a rebate at the basic tax rate, 32 cents in the dollar. The 1978-79 Budget raised the basic rate to 33.5 cents in the dollar, but the maximum allowance for each component, including \$1,200 for life insurance premiums and superannuation contributions, has not been changed.

Instalment credit companies, now more commonly called finance companies, have exhibited strong growth in recent years (a compound annual rate of growth of 11.4 per cent in the ten years to 1970 with rather faster growth since). Their annual growth rate of over 30 per cent in the 1950s was effectively checked by the economic measures of November 1960. Reflecting the need to find new outlets for funds, these companies have moved away from their early pattern of financing mainly consumption spending and now lend as well to business and land development companies. Housing and construction also form a significant segment of their lending spectrum.

The assets of money market corporations or merchant banks more than doubled in the years 1970 to 1972 after exhibiting rapid growth during the late 1960s. The number of companies in this sector has risen strongly and the scope of their operations has increased. These institutions offer a wide range of services including accepting and discounting of commercial bills, the arrangement and provision of short or medium-term finance, operations in short-term money market activities, and underwriting or sub-underwriting security issues. Many also specialise in corporate advice and portfolio management services. (Time series data of balance sheet items and some other activities of most of these money market corporations have only recently become available in official statistics.)

Credit co-operatives have shown a very rapid expansion over recent years. Based on the principle of mutual co-operation, they enable borrowers to obtain funds at reasonable conditions and investors to derive a satisfactory return.

Unlike most other groups surveyed, unit trusts have experienced limited growth in Australia.

Changes in the growth rates and relative importance of financial institutions have in many ways been influenced or affected by official policies and the changing structure of the Australian economy since the Second World War. New demands by a resource-rich economy could not only call forth new government directions and needs but new initiatives. Officially sponsored structural changes in both the financial system and the economy may also alter the rules and environment under which financial institutions have to operate.

#### **Finance companies**

A comprehensive account of the scope of statistics relating to the lending operations of finance companies and further details of the transactions of finance companies can be found in the publication *Finance Companies Transactions, 1973-74* (5615.0), issued by the Central Office of the Australian Bureau of Statistics. Finance companies, like other financial institutions, are distinguishable from non-financial institutions in that they deal mainly in financial assets as opposed to physical goods and non-financial services. However, while the various classes of financial institutions are commonly acknowledged as possessing individual traits, it is difficult to formulate precise and mutually exclusive definitions in respect of each class. For the purpose of these statistics, finance companies are defined as incorporated companies which are engaged mainly in providing to the general public (businesses as well as private persons) credit facilities of the following types: hire purchase and other instalment credit for retail sales, wholesale finance, personal loans, other consumer and commercial loans, factoring, financial leasing of business plant and equipment, and bills of exchange. The finance companies covered in these statistics, insofar as they provide instalment credit for retail sales, are also included in the statistics of instalment credit for retail sales (see page 490). Incorporated finance companies which are not subsidiaries of other finance companies and have total balances outstanding on finance agreements of less than \$500,000 are excluded.

Companies mainly engaged in financing the operations of related companies ("related" as defined in the Companies Act) are included if they finance:

- (1) The sales, by unrelated business, of products of related companies, or



(2) the sales of related companies where the related companies write agreements with the general public.

Excluded from the statistics are companies lending funds to:

- (1) Related companies to enable such companies to finance their sales;
- (2) related finance companies; or
- (3) related companies which are not engaged in providing credit facilities to the general public.

Also excluded are the following classes of financial and quasi-financial institutions: banks; life insurance companies; fire, marine, and general insurance companies; authorised dealers in the short-term money market; pastoral finance companies; investment companies; unit trusts, land trusts, mutual funds, and management companies for the foregoing trusts and funds; pension and superannuation funds; building societies; friendly societies; and credit unions.

**VICTORIA—FINANCE COMPANIES**  
(\$m)

Year	Instalment credit for retail sales	Personal loans	Wholesale finance	Other consumer and commercial loans	Factoring	Total
AMOUNTS FINANCED (a)						
1973-74	(b) 250.6	109.6	427.0	978.1	80.6	1,845.9
1974-75	r245.4	r117.5	r599.4	509.7	(d)	1,471.9
1975-76	r301.7	r176.2	r823.2	770.4	(d)	2,071.4
1976-77	r334.4	r201.6	r1,114.5	r947.3	(d)	r2,597.8
1977-78	340.2	208.0	1,175.2	1,178.3	(d)	2,901.8
BALANCES OUTSTANDING AT 30 JUNE						
1974	(b) 392.9	164.2	66.3	1,095.3	23.4	1,742.1
1975	r409.6	r199.8	r113.4	1,197.2	(d)	r1,919.9
1976	r482.2	r263.8	r184.4	1,397.9	(d)	2,328.3
1977	r561.2	r327.4	r292.2	r1,729.7	(d)	r2,910.5
1978	607.2	370.9	330.9	1,873.1	(d)	3,182.0
COLLECTIONS AND OTHER LIQUIDATIONS OF BALANCES (c)						
1973-74	(b) 298.6	106.5	412.4	784.5	84.5	1,686.6
1974-75	r297.1	r134.5	r599.1	593.7	(d)	1,624.5
1975-76	r345.7	r180.3	r789.7	821.5	(d)	2,137.2
1976-77	r401.0	r220.8	r1,028.7	r930.0	(d)	r2,580.5
1977-78	441.3	248.0	1,164.4	1,336.2	(d)	3,189.8

(a) The actual amount of cash provided. It excludes interest, insurance, hiring and other charges, and initial deposits. For purchases of existing agreements and trade debts purchased, it represents the amount of cash paid to the seller.

(b) From 1973-74, instalment credit excludes "producer"-type goods.

(c) Covers cash collections of capital repayments, hiring charges, interest and insurance, and also other liquidations such as bad debts written off and rebates for early payouts.

(d) Included in "wholesale finance"—no longer available separately for States.

**Instalment credit for retail sales**

Instalment credit schemes which relate primarily to the financing of the retail sales of consumer commodities are covered by these statistics. The term instalment credit is defined as relating to schemes in which repayment is made by regular predetermined instalments (either by amount or by percentage of amount financed or balance outstanding) and includes schemes such as hire purchase, time payment, budget accounts, and personal loans.

From July 1973, businesses covered by these statistics are incorporated finance companies (as defined on pages 488-9), retail establishments which come within the scope of the Census of Retail Establishments (see Chapter 18 of this *Year Book*), and unincorporated finance businesses provided that their outstanding balances on instalment

credit schemes are \$500,000 or more for the whole of Australia. Banks, credit unions, and insurance companies financing retail sales of consumer commodities are at present excluded. Also excluded are credit schemes which do not involve regular predetermined instalments, credit transactions which relate mainly to financing of "producer" type goods (e.g., plant and machinery, tractors, and commercial type vehicles), and credit transactions involving sale of land and buildings, property improvements, travel, services such as repair and maintenance work, and the leasing and rental of goods. A detailed account of the scope of these statistics may be found in the publication *Instalment Credit for Retail Sales, July-September 1973* (5631.0), issued by the Central Office of the Australian Bureau of Statistics.

VICTORIA—INSTALMENT CREDIT FOR RETAIL SALES  
(INCLUDING HIRE PURCHASE), AMOUNTS FINANCED  
BY COMMODITY GROUPS (a) 1977-78  
(\$m)

Group	Finance companies	Other business	All business
Motor vehicles, etc.	279.5	—	279.5
Household and personal goods	60.7	82.0	142.8
Total	340.2	82.0	422.3

(a) Excludes hiring charges, interest, and insurance.

VICTORIA—RETAIL HIRE PURCHASE OPERATIONS:  
AMOUNTS FINANCED BY COMMODITY GROUPS FOR ALL BUSINESSES (a)  
(\$m)

Year	Motor vehicles, etc.				Household and personal goods	Total
	New	Used	Other (b)	Total		
1975-76	65.9	82.1	22.0	170.0	54.5	224.5
1976-77	r70.6	r94.6	r28.1	r193.3	r62.4	r255.7
1977-78	70.4	110.6	26.5	207.6	51.6	259.2

(a) Excludes hiring charges, interest, and insurance.

(b) New and used motor cycles, boats, caravans, trailers, motor parts, and accessories.

### Short-term money market

The short-term money market in Australia includes nine dealer companies which specialise in the business of borrowing money, investing borrowed funds in an approved range of assets, and buying and selling such assets. Four of these companies have head offices in Melbourne and five in Sydney, but representation is Australia-wide.

Known as authorised dealers, each of these dealer companies has been accredited by the Reserve Bank. Such accreditation has significance both for the dealers and for their clients, the most important aspect being that by acting as "lender of last resort" the Bank provides liquidity to dealers, in that they can borrow from the Bank against their holdings of certain public authority securities and thereby have an assured source of funds to repay loans. The Bank does not, however, accept responsibility for the repayment of a dealer's individual loans or for solvency generally.

The Bank not only lends to the nine dealers and trades in securities with them, but provides a range of other facilities which contribute towards the efficient operation of the market. It maintains special clearing accounts for dealers, by means of which funds can be quickly transferred from one point in Australia to another. It also maintains a safe custody system for dealers' holdings of Commonwealth Government securities, which makes possible the safe and rapid movement of security for loans from one lender to another.

AUSTRALIA—SHORT-TERM MONEY MARKET: AUTHORISED DEALERS:  
LIABILITIES CLASSIFIED BY TYPE OF CLIENT AT 30 JUNE (a)  
(\$m)

Clients	1975	1976	1977	1978	1979
All trading banks	243.5	392.9	132.4	335.0	354.3
Savings banks	80.5	71.5	68.1	135.8	133.1
Insurance offices	50.2	44.1	53.3	68.4	74.7
Superannuation, pension, and provident funds	26.8	17.3	14.8	25.4	72.2
Hire purchase and other instalment credit companies	14.9	2.8	6.7	17.4	27.4
Companies, n.e.i.	180.5	178.7	309.7	364.8	314.6
Commonwealth and State Governments	110.5	137.3	43.2	150.6	212.2
Local and semi-government authorities, n.e.c.	115.5	115.9	121.3	175.8	207.6
All other lenders (including marketing boards and trustee companies)	27.6	38.0	47.2	92.1	108.2
Total	850.0	998.4	796.8	1,365.3	1,504.3

(a) Liabilities to Reserve Bank as lender of last resort are excluded.

Interest rates paid by authorised dealers on the great bulk of clients' loans are re-negotiated daily and average levels reflect the substantial day to day variation in funds' positions. The pattern of payments by the Commonwealth to the States each month whereby large amounts are disbursed in the beginning and middle of the month, has a substantial influence. Rates paid may reflect not only earnings (including expected capital gains) on assets held by dealers but, at the margin, also a wish to avoid transactions' costs in selling and buying back securities, or being locked into last resort loans for seven days.

AUSTRALIA—SHORT-TERM MONEY MARKET: AUTHORISED DEALERS:  
INTEREST RATES  
(per cent per annum)

Month	Interest rates on loans accepted during month				Weighted average interest rate on loans outstanding (a)
	At call		For fixed periods		
	Minimum	Maximum	Minimum	Maximum	
December 1976	0.10	14.75	1.50	12.50	5.84
March 1977	1.00	17.00	3.00	13.50	7.16
June 1977	3.00	15.30	5.00	13.80	9.33
September 1977	1.50	18.35	4.00	12.80	9.36
December 1977	2.00	18.85	4.00	14.00	8.99
March 1978	2.00	18.30	5.00	11.01	8.15
June 1978	0.50	18.86	3.00	11.50	9.05
September 1978	1.00	19.15	5.50	12.80	9.27
December 1978	3.00	16.35	4.61	11.60	8.39
March 1979	1.00	15.15	4.10	12.25	7.40
June 1979	1.00	18.25	3.10	11.00	7.75
September 1979	1.00	17.85	2.60	12.65	8.89

(a) Weighted average of rates paid on all days of the four or five weeks ending on the last Wednesday of the month.

The Bank maintains close supervision over the categories of assets which the dealers may hold. The great bulk of dealers' assets normally comprises Commonwealth Government securities (including Treasury notes) maturing within five years with lesser amounts in paper issued by other public authorities and banks. Also, a small part of dealers' funds may be held in non-bank commercial bills and such other assets as they might choose, including securities with longer than five years to maturity. It is against Commonwealth Government securities up to five years to maturity (including semi-government and local government) that dealers may borrow under the last resort arrangement.

The business conducted by a dealer—borrowing funds for short terms, holding a portfolio of selected assets, and trading in those assets—is a highly individual one, and considerable scope exists for differences in the pattern of business pursued by the different

members of the market. Dealers are, however, expected to trade readily in, and thereby broaden the market for, the securities they hold. While their portfolios and turnover remain dominated by government paper, short-term private paper has grown in importance.

**AUSTRALIA—SHORT-TERM MONEY MARKET: AUTHORISED DEALERS:  
SELECTED ASSETS (FACE VALUE) (a)**  
(\$m)

Month and year	Commonwealth Government securities (b)			Commercial bills (c)	Banks' Certificates of Deposit (b)
	Treasury notes	Other	Total		
December 1976 (d)	556.0	345.8	901.8	72.5	15.7
March 1977	388.0	506.9	894.9	85.7	10.9
June 1977	54.6	774.9	829.5	129.8	21.6
September 1977	19.1	995.2	1,014.3	124.1	27.9
December 1977 (d)	46.2	1,069.2	1,115.4	137.0	14.5
March 1978	52.0	1,160.0	1,212.0	111.5	7.8
June 1978	57.9	1,085.6	1,143.5	153.5	15.8
September 1978	179.6	1,188.7	1,368.3	157.8	16.0
December 1978 (d)	151.8	1,129.1	1,280.9	107.4	18.0
March 1979	312.1	916.9	1,229.0	84.6	17.1
June 1979	176.7	1,069.5	1,246.2	190.2	18.3
September 1979	40.8	1,210.8	1,251.6	192.1	16.9

(a) Average of weekly figures.

(b) Within five years of maturity.

(c) Accepted or endorsed by banks.

(d) Holdings on one Wednesday of the month have been excluded.

### Companies

#### Company legislation

In recent years the Victorian Parliament has given much attention to company legislation and, following the passage of the new Companies Act in Victoria in 1958, company legislation has been passed throughout Australia in substantially similar form. In Victoria the current legislation is the *Companies Act 1961* and subsequent amendments.

#### VICTORIA—COMPANIES REGISTERED, ETC.

Particulars	1974	1975	1976	1977	1978
Approximate number of existing companies at end of year ('000)—					
Victorian	77	82	91	102	110
Other	6	6	6	6	7
Total	83	88	97	108	117
New companies registered (number)—					
Victorian	5,047	6,651	12,225	13,267	9,748
Other	451	391	342	457	468
Total	5,498	7,042	12,567	13,724	10,216
Nominal capital of new companies (\$'000)—					
Victorian	112,135	89,974	173,163	357,921	381,673
Other	225,582	104,120	136,152	57,541	313,371
Total	337,717	194,094	309,315	415,462	695,044
Increase in nominal capital of Victorian companies during year (\$'000)	778,507	544,912	757,885	757,729	1,500,135

Further reference: *Company Law in Victoria, Victorian Year Book 1977*, pp. 891-5

## The Stock Exchange of Melbourne Limited

### *Introduction*

The Stock Exchange of Melbourne was established in 1884 and since that time there has been continuous growth in share ownership, and large amounts of capital have been raised for public works and for the expansion of industry. In these ways the Stock Exchange has played an important role in the economic development of Australia as well as Victoria. The basic function of the Stock Exchange is to provide the means by which investment securities, stocks, bonds, shares, etc., may be conveniently bought and sold. The type of market has developed over the years from the "call room" style of trading to the present post trading method which is practiced in most exchanges throughout the world.

The Stock Exchange of Melbourne Limited was incorporated as a company limited by guarantee under the Companies Act on 1 July 1970 in order to enable it to operate more efficiently as a legal entity. New Memorandum and Articles of Association were adopted to replace the former Rules and Regulations.

At 30 June 1979, membership of the Exchange totalled 200, with nine new members being admitted during the year and three resigning. The number of member firms at 30 June 1979 totalled twenty-nine.

The Joint Committee of the Melbourne and Sydney Stock Exchanges, which was formed in December 1976, continued to formulate policy for the two exchanges on those matters coming within its authority, and to administer the Joint Rules. On 30 June 1979, nine Sydney member firms had been granted access to the trading floor of the Melbourne exchange and four Melbourne member firms had been granted access to the trading floor of the Sydney exchange. A joint public address system was introduced during 1979 to allow company announcements to be made simultaneously to the floors of both exchanges.

Quote sheets will be provided for the joint exchange recording market information in both centres and a joint exchange share price index, replacing the existing separate Melbourne and Sydney indices, was introduced on 1 January 1980.

### *Official List Requirements*

The Listing Manual of the Australian Associated Stock Exchanges prescribes the conditions under which company securities are granted and retain listing. In order to provide for changing conditions, Official List Requirements are continually updated and expanded. The most recent changes have been incorporated in a third complete reprint of the *Official Listing Requirements of the Australian Associated Stock Exchanges (reprint No. 3)* issued in July 1979. The revision was undertaken in order to:

- (1) Remove Listing Requirements duplicated by law or in the Listing Manual;
- (2) standardise wording and improve layout; and
- (3) clearly show additional information or action required beyond that required by the Companies Act.

Some of the changes in the third reprint include the following:

- (1) The Listing Requirements have been amended to remove administrative difficulties for issuers of loan securities with the view to encouraging an improved secondary market in these securities. Listing fees have been significantly reduced for issues of loan securities;
- (2) there are now no Listing Requirements requiring listed companies to have Articles of Association on specified matters; however, listed companies are encouraged to maintain Articles of Association consistent with the Requirements;
- (3) listed companies with quoted loan securities are required to advise their home exchange of the amount of quoted loan securities on issue at 30 November and 31 May in each year;
- (4) a listed company may decline to register a transfer of shares when it will create a new shareholding of less than 100 shares or less than a marketable parcel, whichever the lesser, other than a transfer of securities lodged for registration by a recognised "Odd-Lot" broker through his nominee company;
- (5) the allotment of new equity securities by a listed company (other than *pro-rata* allotments to all shareholders or allotments approved at a general meeting of the

company) is restricted to 10 per cent of the issued capital of the company within any 12 month period;

(6) a listed company is not permitted to acquire or dispose of any assets other than in the normal course of trading for a consideration in excess of 5 per cent of the total issued capital and reserves without the prior consent of shareholders where the vendor or the purchaser is a director or other specified person;

(7) where an offeree company is either effectively controlled by or is a subsidiary of the offeror, the directors of the offeree are required to seek independent qualified advice on the adequacy of the consideration;

(8) an offeror required by the Listing Requirements to vary or make a new offer, is required to do so within 15 days after the purchase that invokes the Requirement;

(9) a cash consideration is to be dispatched within 20 business days of a takeover offer being declared unconditional or within 20 business days of the acceptance of an unconditional offer;

(10) takeover offers must be declared unconditional if they are to remain open for longer than a period of six months; and

(11) a brief comment by directors on material factors affecting the company during the period between the date of the report (half-yearly or preliminary final) and the date of its issue is required. The report forms now include a "tear-off slip" for the priority communication of brief details of the report to the market.

#### *Stock market during 1978-79*

The All Ordinaries Index opened in July 1978 at 179.46 and rose steadily during August and September reaching a high of 205.59 on 26 September 1978. The index fell back slightly to 196.76 at the end of December, an overall gain of 10 per cent for the six months. The index continued the upward trend reaching a high of 219.39 on 19 March 1979 and then fell back slightly to close the June year at 212.80, an overall rise of 20 per cent for 1978-79.

The 50 Leaders followed a similar pattern and closed for 1978-79 at 215.02, a rise of 21 per cent.

Only three indices fell for the 12 months to June 1979: Group 28—Preference fell 3 per cent, while Group 11—Builders' Supplies, and Group 14—Automotive both fell 1 per cent. The highest rise was recorded in Group 10—Steel and Engineering at 46 per cent with Group 19—Oil and Gas next at 43 per cent.

Total turnover by value fell 3 per cent to \$1,700m. The largest rise in turnover of share securities was 105 per cent in mining from \$159.4m to \$327.2m, the highest value since the 1970-71 mining boom. Oil shares rose 30 per cent from \$52.6m to \$68.3m, while industrials increased 29 per cent from \$628.5m to \$808.3m. Loan securities by value fell 46 per cent to \$494.6m.

The total volume of turnover was: loan securities 560.8, a decrease of 44 per cent and share securities 912.3, a rise of 31 per cent.

#### **Building societies**

The provisions of the *Building Societies Act 1874* made it compulsory for building societies to effect registration. Current legislation regulating the activities of these societies is embodied in the *Building Societies Act 1958* and subsequent amending Acts. Further information on this subject may be found in Chapter 11 of this *Year Book*.

#### VICTORIA—PERMANENT BUILDING SOCIETIES (a)

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Number of societies	56	r55	55	r53	r53
Number of shareholders (b)	154,882	151,972	134,481	n.a.	n.a.
Number of borrowers	47,008	48,866	48,597	n.a.	n.a.
Value of transactions—					
Income—	\$'000	\$'000	\$'000	\$'000	\$'000
Interest on mortgage loans	35,972	56,759	72,533	103,827	128,016
Other	7,573	11,393	20,084	25,273	28,044
Total	43,545	68,153	92,617	129,100	156,060

## VICTORIA—PERMANENT BUILDING SOCIETIES (a)—continued

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
<b>Expenditure—</b>					
Interest payable	20,474	43,524	71,451	98,086	116,428
Administration, etc.	18,328	13,594	16,360	22,820	29,807
<b>Total</b>	<b>38,802</b>	<b>57,119</b>	<b>87,811</b>	<b>120,906</b>	<b>146,235</b>
<b>Loans and advances—</b>					
Paid	176,610	133,426	n.a.	n.a.	n.a.
Repaid	60,442	69,461	n.a.	n.a.	n.a.
<b>Deposits—</b>					
Received	443,308	633,039	n.a.	n.a.	n.a.
Repaid	335,126	503,585	n.a.	n.a.	n.a.
<b>Liabilities—</b>					
<b>Investing members' funds—</b>					
Paid-up capital	212,364	186,189	232,866	284,196	355,438
Reserves, etc.	8,428	9,802	12,265	14,946	19,322
<b>Borrowing members' funds—</b>					
Share subscriptions	674	596	n.a.	n.a.	n.a.
Other	84	95	n.a.	n.a.	n.a.
Deposits	302,924	432,640	623,416	825,928	972,233
Loans (including bank overdraft)	37,944	20,958	27,587	21,066	22,586
Other	9,237	8,598	6,608	8,562	9,212
<b>Total</b>	<b>571,657</b>	<b>658,878</b>	<b>902,742</b>	<b>1,154,698</b>	<b>1,378,791</b>
<b>Assets—</b>					
Loans on mortgage	454,658	518,099	694,275	901,423	1,110,539
Land and house property	3,393	6,087	13,143	17,241	24,213
Other investments	80,301	87,437	31,695	52,680	90,350
Cash and deposits	28,345	41,622	155,410	174,842	146,589
Other	4,958	5,634	8,219	8,512	7,100
<b>Total</b>	<b>571,657</b>	<b>658,878</b>	<b>902,742</b>	<b>1,154,698</b>	<b>1,378,791</b>

(a) Excludes Starr-Bowkett Societies.

(b) Includes 24,295 shareholders holding borrowers' shares in 1973-74, and 29,671 in 1974-75. From 1975-76, figures are not available.

**Co-operative organisations**

In December 1953, the Victorian Parliament passed the Co-operation Act, now known as the *Co-operation Act 1958*. The Act provides for the formation, registration, and management of co-operative societies which are classified into various kinds according to their objects.

The Act permits the Victorian Treasurer to guarantee the repayment of any loan raised by a society for the implementation of its object. At 30 June 1978, 607 guarantees were in force, the amount involved being \$10,449,121; while in 1979, 617 guarantees were in force, and the amount involved was \$13,886,053.

Under the direction of the Treasurer, the Act is administered by the Registrar of Co-operative Societies. He is assisted by an advisory council constituted under the Act.

VICTORIA—REGISTERED CO-OPERATIVE SOCIETIES AT 30 JUNE  
(number)

Type	1975	1976	1977	1978	1979
Producer	66	70	71	71	67
Trading	78	84	91	90	99
Community settlement	10	13	19	23	26
Community advancement	826	854	869	888	928
Credit	221	220	218	214	213
Associations	2	3	3	4	4
<b>Total</b>	<b>1,203</b>	<b>1,244</b>	<b>1,271</b>	<b>1,290</b>	<b>1,337</b>

Co-operative organisations operating in Victoria may also be registered under the provisions of the Companies Act, the Industrial and Provident Societies Act, and the Co-

operative Housing Societies Act. Differences in totals between the preceding and following tables are due partly to this reason and partly to the fact that, although registered at 30 June, some societies were not operating during the year, or had ceased operating during the year. They are engaged in a number of activities which primarily are the production, marketing, and distribution of goods, and in the provision of finance for home building. Details relating to co-operative housing societies are given on pages 281-2. In recent years, a considerable number of co-operative credit societies which extend credit facilities to members to enable them to finance the purchase of household durables, or to discharge financial liabilities, etc., have also been registered under the Co-operation Act.

#### VICTORIA—CO-OPERATIVE ORGANISATIONS: PRODUCER AND CONSUMER SOCIETIES

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Number of societies	149	137	135	163	145
Number of members	168,505	174,860	178,150	183,858	188,026
Value of transactions during the year—					
Income—	\$'000	\$'000	\$'000	\$'000	\$'000
Sales	261,439	300,105	274,304	270,359	289,175
Other	5,699	8,810	12,020	12,992	13,899
Total	267,138	308,915	286,324	283,351	303,074
Expenditure—					
Purchases	194,651	228,075	192,400	188,734	202,833
Working expenses, etc.	61,550	83,601	80,988	77,082	100,774
Interest	2,664	6,603	7,772	6,091	5,458
Rebates and bonuses	2,092	985	808	839	795
Total	260,958	319,264	281,968	272,747	309,860
Dividend on share capital	2,794	3,225	2,519	2,797	2,890
Liabilities—					
Share capital	34,912	35,610	35,270	37,648	36,875
Loan capital	23,959	30,789	35,076	31,898	30,835
Bank overdraft	30,983	39,199	34,650	30,976	28,436
Profit and loss ( <i>Cr.</i> )	4,281	4,279	3,801	4,049	3,971
Reserve funds	32,596	36,995	39,104	37,683	40,526
Sundry creditors	42,011	46,024	43,954	30,910	35,095
Other	12,584	13,233	11,382	14,591	27,489
Total	181,327	206,128	203,238	187,755	203,228
Assets—					
Land and buildings	81,349	88,758	92,941	84,340	85,463
Fittings, plant, and machinery					
Stock	27,367	38,882	36,235	29,216	46,041
Sundry debtors	58,141	55,645	53,172	50,662	50,331
Cash in bank, on hand, or on deposit	4,704	3,381	4,820	6,616	5,319
Profit and loss ( <i>Dr.</i> )	1,449	5,649	5,471	3,609	1,654
Other	8,318	13,813	10,599	13,313	14,420
Total	181,327	206,128	203,238	187,755	203,228

#### VICTORIA—CO-OPERATIVE ORGANISATIONS: CREDIT SOCIETIES

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
Number of societies	201	205	205	201	205
Number of members	123,283	145,895	178,066	r206,955	240,088
Transactions during the year—					
Income—	\$'000	\$'000	\$'000	\$'000	\$'000
Interest	7,182	9,513	14,186	r21,077	29,019
Other income	241	1,061	1,466	r2,247	3,243
Total	7,423	10,574	15,652	r23,324	32,262



VICTORIA—CO-OPERATIVE ORGANISATIONS: CREDIT SOCIETIES—*continued*

Particulars	1973-74	1974-75	1975-76	1976-77	1977-78
<b>Expenditure—</b>					
Interest on deposits	3,864	5,732	8,380	r12,276	17,392
Working expenses	3,786	5,248	7,532	r10,301	13,292
<b>Total</b>	<b>7,650</b>	<b>10,981</b>	<b>r15,913</b>	<b>r22,577</b>	<b>30,684</b>
<b>Liabilities—</b>					
Share capital	1,092	1,305	1,591	r1,883	2,192
Reserve					
Accumulated surplus	-685	-1,214	-1,607	r-1,292	-468
Other	513	677	r938	r1,378	2,094
Depositors	78,240	98,511	139,685	r193,451	265,306
Other	5,343	5,616	6,830	r8,582	10,158
<b>Total</b>	<b>84,503</b>	<b>104,894</b>	<b>147,436</b>	<b>r204,002</b>	<b>279,282</b>
<b>Assets</b>					
Loans to members	71,206	88,935	124,941	r174,557	233,191
Cash at bank or on hand	2,042	3,168	4,917	r7,141	9,664
Deposits, other loans and investments	8,841	9,180	12,643	r15,703	28,366
Other assets	2,414	3,612	4,935	r6,601	8,061
<b>Total</b>	<b>84,503</b>	<b>104,894</b>	<b>147,436</b>	<b>r204,002</b>	<b>279,282</b>

**Life insurance***History*

The first Australian life office was formed in 1836, but it was not until the second half of the nineteenth century that life insurance gathered strength in Australia. The first mutual office with headquarters in Victoria was established in 1869. Several North American offices established operations in Australia during the 1880s, but they were forced to transfer their policies to Australian offices and to withdraw from the market in the early 1920s by changes in the New York law under which they operated. Since 1945, several United States of America companies, not subject to New York law, have opened up or acquired life offices in Australia. By 1901, Australian life offices were competing in many parts of the then British Empire; several offices still operate in Great Britain, New Zealand, and South Africa.

*Structure*

The life insurance industry in Australia is organised largely along mutual, or co-operative lines. More than 65 per cent of the business is handled by mutual offices—where no shareholders—where the policyholders themselves own the business and where all surplus funds accrue to them.

A significant part of life insurance, however, is conducted by proprietary companies—those owned by shareholders—which offer life insurance services to the public. There are statutory limitations on the funds which these offices may pass on to shareholders rather than to policyholders.

Most of the mutual offices are Australian controlled and several proprietary offices are Australian-owned or controlled. However, many proprietary offices are owned by foreign insurance groups. The majority of life offices, particularly the major mutual offices, offer Australia-wide facilities. There are 48 registered life offices in Australia and, in addition there are government life offices in New South Wales, Queensland, and South Australia, the latter having begun operations in March 1978.

There are several industry associations which aim to maintain and promote high standards within the industry. They include:

- (1) The Australian Insurance Institute—the professional, educational, and examining body associated with both the general and life insurance industries. It co-ordinates the activities of the various State institutes, which include the Insurance Institute of Victoria; and
- (2) The Life Insurance Federation of Australia—a new national life insurance industry organisation, which was formed on 30 April 1979. Forty-two private enterprise life insurance companies joined together to form the Federation. This new association replaces

the Life Offices Association of Australia and the Association of Independent Life Offices which have ceased functioning.

#### *Economic and social significance*

The economic and social significance of life insurance lies in the substantial funds which represent protection for, and the savings of, more than 3.5 million policyholders in Australia. The number of persons actually covered by life insurance is greater than this figure, when allowance is also made for policyholders' dependants.

As a major medium of contractual savings and thus of the marshalling of capital in Australia, life insurance has traditionally been supported because the protection it gives relieves governments of certain social welfare responsibilities and because its inbuilt compulsive element provides both the public and the private sector of the economy with access to a predictable supply of long-term investment funds.

#### *Products*

There are three main forms of life insurance: whole of life, endowment, and term. All three forms can be obtained in a variety of combinations and are often sold under special product names by different life companies. More recent types of policies, for instance, separate the life cover from the savings element. They are often known as "unbundled contracts". There are also two quasi-life insurance policies: pure endowment and annuity.

*Whole of life.* These policies give lifetime protection, with the sum insured and any accrued bonuses paid on death. It provides basically for dependants.

*Endowment.* In these policies the sum insured and any accrued bonuses are payable on survival to a specified age or on prior death. They give family protection and a systematic method of saving for retirement, repayment of loans, educational expenses, etc.

Whole of life and endowment policies may be "with profit" (participating in the distribution of bonuses) or "non-profit" (not participating in the distribution of bonuses), the choice depending on the level of premium paid.

*Term.* These policies provide cheap, death only, cover within a specified period. The policies expire if the insured life survives the period, and no benefit is paid. There are several variants: renewable term, decreasing term, and convertible term, with the option to convert to whole of life or endowment insurance at a later date with no need of proof of medical fitness.

*Pure endowment.* In these policies the sum insured is payable only if a person lives to a pre-determined age. On prior death, premiums plus interest are returned.

*Annuities.* These are contracts under which a life office pays a fixed regular amount from a particular date until the death of the annuitant or to some earlier pre-arranged date. The premium, or consideration, is paid as a lump sum, or by instalments if the commencement of the annuity is deferred.

*Ordinary life insurance.* These are policies on which premiums are paid annually, half-yearly, quarterly, or monthly.

*Industrial (Collector) life insurance.* These are policies where premiums are collected periodically (usually monthly) by life office agents from policyholders' homes. They constitute a costly operation which has lost popularity in recent years.

*Superannuation.* These are benefits provided either by lump sum payments on retirement or pensions to retired employees or their surviving dependants. Superannuation schemes conducted by life offices account for about one-third of total Australian superannuation business.

#### *Marketing*

The bulk of life insurance is sold on commission through agents, or representatives, of life offices. The most common variant of this theme is the practice of the major Australian life offices selling through tied or in-house agents. Other intermediaries are free to direct business to these offices but no commission is paid.

Some sectors of the industry operate through brokers, virtually independent agents, who place business on behalf of their clients. The broking system in life insurance is not as developed as it is in general insurance.

*Statistics*

The State-by-State break-down of life insurance figures is not reliable. The figures are distorted by many policyholders placing their policies on the Australian Capital Territory register, which are shown in the published statistics as A.C.T. business.

Care should also be shown in using the figures for "Policies discontinued or reduced". This term includes claims, maturities, surrenders, forfeitures, and transfers to other States.

*Assets*

The following table shows the distribution of selected life office assets in Australia and the changes since 1970:

AUSTRALIA— LIFE INSURANCE BUSINESS WITHIN AUSTRALIA:  
SELECTED ASSETS HELD IN AUSTRALIA BY LIFE INSURANCE COMPANIES (a)  
(\$m)

Class of assets	At end of December—				
	1970	1975	1976	1977	1978
<b>Fixed assets—</b>					
Property	748.4	1,981.0	2,275.4	2,542.9	2,831.9
Furniture	10.4	23.4	24.7	30.3	30.5
<b>Total fixed assets</b>	<b>758.8</b>	<b>2,004.4</b>	<b>2,300.1</b>	<b>2,573.2</b>	<b>2,862.4</b>
<b>Loans (excluding advances of premiums)—</b>					
On mortgage—					
Rural	130.2	100.4	91.1	83.8	76.8
Housing	437.0	491.8	494.9	505.4	501.8
Other	661.1	735.2	717.8	708.7	679.3
On policies	224.8	276.2	277.4	292.0	297.0
To controlled companies	22.2	32.5	36.9	54.3	68.2
To building or housing societies	14.1	7.9	5.8	6.2	7.1
Other	13.2	22.0	22.9	24.9	41.6
<b>Total loans</b>	<b>1,502.6</b>	<b>1,666.1</b>	<b>1,646.8</b>	<b>1,675.3</b>	<b>1,671.8</b>
<b>Investments—</b>					
Government securities	1,316.2	2,063.6	2,283.6	2,507.8	2,706.9
Local and semi-governmental securities	500.4	801.6	873.5	995.5	1,121.1
Debentures	457.4	720.2	760.1	755.7	800.9
Secured and unsecured notes	123.5	137.2	156.4	164.5	165.9
Preference shares	82.8	85.5	81.9	69.9	69.0
Ordinary shares	822.7	1,399.4	1,629.6	1,831.5	2,075.0
Holdings in controlled companies	22.7	66.3	70.0	76.7	127.4
Other	19.8	3.7	3.4	85.6	86.1
<b>Total investments</b>	<b>3,345.5</b>	<b>5,277.4</b>	<b>5,858.5</b>	<b>6,487.2</b>	<b>7,152.3</b>
<b>Cash—</b>					
On deposit—					
Banks	1.9	20.5	12.8	0.4	0.4
Other	17.2	51.9	55.2	55.7	87.5
On current account and in hand	2.8	6.3	6.3	6.1	12.2
<b>Total cash</b>	<b>21.9</b>	<b>78.6</b>	<b>74.3</b>	<b>62.2</b>	<b>100.1</b>
<b>Total selected assets</b>	<b>5,628.7</b>	<b>9,026.6</b>	<b>9,879.7</b>	<b>10,797.9</b>	<b>11,786.6</b>

(a) Items shown are the balances according to the companies' ledgers in respect of the statutory funds as at the date for which the information was supplied, without adjustment for any accrued or outstanding interest or other items which had not been brought into account as at that date.

There is no official direction of life office investment in relation to the safeguarding of policyholders' funds, although there are statutory taxation requirements for investment in government securities (see *Taxation*, page 500). The Life Insurance Commissioner, nevertheless, maintains a surveillance over the industry (see *Regulation of the industry*, page 500).

The following table gives an indication of the source and application of industry cash flows:

**AUSTRALIA—SOURCE AND APPLICATION OF LIFE OFFICE FUNDS**  
(per cent)

Year	Source			Application			Total
	Premium income	Investment income	Total	Payments to policyholders	Invested on behalf of policyholders	Expenses including tax	
1972-73	68	32	100	37	46	17	100
1973-74	67	33	100	41	42	17	100
1974-75	68	32	100	43	38	19	100
1975-76	68	32	100	44	40	16	100
1976-77	67	33	100	44	39	17	100

NOTE: The item "Invested on behalf of policyholders" includes actuarial reserves against future policy liabilities, and surplus held for policyholders' bonuses. The Australian premium income of the industry in 1976-77 amounted to \$1,564m and \$1,004m was paid out in claims and surrenders.

### *Taxation*

#### *Life offices*

Life offices are taxed on the basis of their investment income (as distinct from premium income), less associated expenses and a deduction deemed necessary to meet long-term policy liabilities.

In its 1973-74 Budget, the Commonwealth Government reduced the allowable deduction for policy liabilities under section 115 (of the Income Tax Assessment Act) from 3 per cent to 2 per cent. In the 1974-75 Budget, this deduction was further reduced to 1 per cent and the rate at which tax was levied was increased to the normal rate for companies.

#### *Policyholders*

In the 1975-76 Budget, the Commonwealth Government replaced the system of concessional deductions, including those for certain levels of life insurance premiums and superannuation contributions, from taxable income with a General Rebate which credited taxpayers with expenditure of \$1,350 on what were previously concessional deductions—for medical, educational, and other expenses, and life insurance premiums and superannuation contributions. A 40 per cent tax rebate was applied.

In the 1977-78 Budget, the General Rebate disappeared with the introduction of a tax-free threshold income. Nevertheless, concessional expenditure over a total of \$1,590 was allowed as a rebate at the basic rate of tax—32 cents in the dollar. In the 1978-79 Budget, this basic rate was raised to 33.5 cents in the dollar and lowered in the 1979-80 Budget to 33.07 cents in the dollar. The components of the concessional expenditure allowance remain unchanged, including \$1,200 for life assurance premiums and superannuation contributions.

The proceeds of life insurance policies are tax-free in policyholders' hands, the income having been taxed at the life office stage. One-twentieth of a lump sum superannuation benefit is treated as taxable income in the hands of the recipient in the year it is received, but investment income from the re-invested sum is taxable as normal income. Superannuation benefits in the form of a regular pension are treated as fully taxable income.

### *Regulation of the industry*

The life insurance industry is regulated by the Commonwealth *Life Insurance Act 1945* which gives the Life Insurance Commissioner control over the registration of offices and wide-ranging powers over life office affairs in the interests of policyholders. Investigations can range from company financial matters to the treatment of individual policyholders' complaints. The State Government insurance offices in New South Wales, Queensland, and South Australia do not come under the jurisdiction of the Life Insurance Act, although the New South Wales and Queensland offices voluntarily supply the statistics which the Act requires from the private offices.



VICTORIA—LIFE INSURANCE: POLICIES DISCONTINUED OR REDUCED  
(EXCLUDING ANNUITIES)—*continued*

Cause of discontinuance	1975		1976		1977	
	Number of policies	Sum insured	Number of policies	Sum insured	Number of policies	Sum insured
SUPERANNUATION BUSINESS						
Death or disability	727	14.0	471	15.2	382	15.5
Maturity, expiry, etc.	2,121	209.1	1,320	92.1	1,295	77.6
Surrender	12,984	630.8	7,922	641.6	7,504	782.6
Forfeiture	1,224	16.5	970	20.7	1,279	30.7
Other (a)	4,124	122.7	2,797	347.5	3,793	126.1
<b>Total</b>	<b>21,180</b>	<b>993.1</b>	<b>13,480</b>	<b>1,116.9</b>	<b>14,253</b>	<b>1,032.5</b>
INDUSTRIAL BUSINESS						
Death or disability	3,478	1.2	3,251	1.2	3,011	1.1
Maturity, expiry, etc.	36,012	7.2	35,077	7.4	34,314	7.8
Surrender	17,423	21.9	17,299	21.9	16,583	25.0
Forfeiture	5,263	12.8	4,069	10.8	3,960	12.4
Other (a)	-485	0.7	2,475	1.3	3,829	4.7
<b>Total</b>	<b>61,691</b>	<b>43.8</b>	<b>62,171</b>	<b>42.6</b>	<b>61,697</b>	<b>51.0</b>

(a) Includes net loss or gain resulting from transfers, cancellations of, and alterations to, policies, etc.

NOTE. Minus sign (-) indicates an increase in existing business in the registers concerned due to an excess of transfers from other States or conversions from other classes of business over discontinuances in those registers.

VICTORIA—LIFE INSURANCE: BUSINESS IN EXISTENCE  
(EXCLUDING ANNUITIES)

Particulars		1973	1974	1975	1976	1977
<b>Ordinary business—</b>						
Number of policies		1,539,929	1,542,775	1,534,936	1,512,553	1,497,179
Sum insured	\$m	8,336.2	9,439.1	10,676.3	11,755.9	13,212.4
Annual premiums	\$m	r179.6	191.0	203.0	209.7	216.8
<b>Superannuation business—</b>						
Number of policies		110,266	114,040	111,876	120,434	128,226
Sum insured	\$m	3,986.9	5,126.8	6,058.4	7,131.9	8,244.6
Annual premiums	\$m	r102.7	129.7	162.6	185.7	212.1
<b>Industrial business—</b>						
Number of policies		672,357	618,939	571,987	523,146	472,785
Sum insured	\$m	454.2	446.9	444.3	447.3	440.2
Annual premiums	\$m	17.3	16.8	16.6	16.5	16.1

In 1977, \$8,825 was the average amount of policy held in the ordinary department, \$64,297 in the superannuation department, and \$931 in the industrial department.

### General insurance

#### Introduction

The general insurance industry in Victoria has changed significantly in recent years. Two major developments have given rise to this change: the application of the *Australian Insurance Act 1973* and the creation of the Insurance Council of Australia in 1975.

The Commonwealth Government has assumed the responsibility of ensuring that any insurer operating in the market-place has sufficient assets to conduct business without fear of being unable to meet liabilities. This control is exercised by the Australian Insurance Commissioner under the Insurance Acts. These Acts place strict solvency requirements on insurers and their business operations are examined regularly by the Insurance Commissioner to ensure their solvency.

The Insurance Council of Australia (I.C.A.) was born from an increasing recognition of the fragmented nature of the general insurance industry. It enables the industry to speak with one voice, and one of I.C.A.'s main aims has been to show that many insurance areas — road safety, flood, crime, workers' compensation, fires, and accidents — are community problems. Member companies collectively write virtually all the business in the private sector, excluding business written by the State Government insurance offices.

The main objectives of I.C.A. include:

- (1) To act as spokesman for the industry;
- (2) to collect, collate, and analyse insurance statistics supplied by member companies;
- (3) to develop and maintain model policy wordings, advisory rating systems, and standards of safety in accident and fire prevention; and
- (4) to promote a high ethical standard in the conduct of business within the industry and to develop the confidence and respect of the public.

The general insurance market in Victoria is organised as follows:

- (1) Fire, marine, and general insurance companies (of which the majority are members of I.C.A.);
- (2) representatives of Lloyds insurance brokers;
- (3) Victorian Government insurance offices;
- (4) independent private brokers; and
- (5) local representatives of overseas reinsurance companies.

The insurance industry in Victoria offers competitive premiums and cover on many types of policies. Some examples of these are:

Baggage	Livestock
Boiler explosion	Marine
Burglary	Motor vehicle
Business interruption	Personal accident
Cash in transit	Plate glass
Crop (fire and hail)	Pluvius
Employers' liability (including compulsory workers compensation)	Public liability
Fidelity guarantee	Tourists' and travellers' personal accident
Fire	Wool (sheep's back to store)
Houseowners and householders	

The Victorian Government, like other State Governments, legislates for workers' compensation and motor vehicle third party insurance. All employers are compelled to insure their employees against death or physical injury during employment and under certain other circumstances. Every motor vehicle owner is compelled to insure against any liability for death or injury to others caused by, or arising out of, the use of that vehicle.

General insurance contributes to the stability of commercial activity in the community by sharing the risks in most daily activities.

#### *Statistics*

Selected statistics relating to all classes of general insurance are collected annually from insurers licensed to operate in Victoria. They refer to all policies issued in this State on Australian risks wherever situated, but do not include data for policies issued in other States to cover Victorian risks.

Returns are for the year ended 30 June or for the immediately preceding accounting periods of the insurers concerned. Since the accounting years of many insurers end on dates other than 30 June, the figures are not for a uniform time period.

The statistics have been compiled on the following basis:

- (1) Premiums are the total amounts received and receivable during the year for policies issued and renewed, after deduction of stamp duty, returns of premium and rebates, and bonuses paid or credited to policy holders;
- (2) claims consist of payments during the year plus the estimated amount of claims unsettled at the end of the year, less the estimated amount of claims unsettled at the beginning of the year; and
- (3) contributions to fire brigades, commission and agents' charges, and expenses of management are charges paid during the year.

It should be noted that the figures shown for premiums are different from the premium income earned by insurers during the year, as no adjustment is made for premiums unearned at the beginning and end of the year. When, as in recent years, the premium volume is increasing, the figures in the tables are greater than the premiums earned by insurers and the amount of the difference is often substantial. For this reason, the

relationship of claims and other charges to premiums should be used only as a basis of comparison with ratios calculated under similar headings in previous years.

The following table, which shows details of general insurance business transacted in Victoria for the years 1973-74 to 1977-78, should not be construed as a "profit and loss statement" or a "revenue account" as it contains only selected items of statistics:

**VICTORIA—GENERAL INSURANCE**  
(\$'000)

Class of business	1973-74	1974-75	1975-76	1976-77	1977-78
<b>PREMIUMS (LESS RETURNS, REBATES, AND BONUSES)</b>					
Fire (including sprinkler leakage)	52,783	59,611	71,543	80,399	87,075
Householders' comprehensive	37,784	47,833	56,023	59,248	72,029
Loss of profits	11,518	11,726	15,900	17,094	16,716
Crop (including hailstone)	1,942	3,571	2,325	2,226	2,288
Marine	20,681	24,774	26,305	32,556	37,534
Motor vehicles (including motor cycles)	106,419	135,130	168,864	197,776	216,359
Compulsory third party (motor vehicles)	69,589	138,877	152,617	204,694	207,992
Employers' liability and workers compensation	122,339	195,202	366,243	331,159	325,454
Personal accident	15,676	15,755	19,663	22,232	22,918
Public liability	11,795	11,484	14,847	18,260	24,855
Product liability	831	1,034	870	2,434	3,254
Plate-glass	1,480	1,675	1,995	2,639	2,789
Boiler/engineering and machine breakdown	1,129	2,951	3,481	3,487	4,186
Livestock	1,036	798	1,131	1,502	1,446
Burglary	7,725	7,197	7,542	8,230	9,274
Guarantee	878	1,098	997	1,442	1,561
Aviation	1,308	1,020	2,256	2,579	3,165
All risks/baggage	5,903	6,718	7,773	8,907	8,728
Contractors' all risks	4,132	3,905	5,414	6,306	8,352
Other	11,850	12,381	17,559	25,253	35,381
<b>Total premiums</b>	<b>486,796</b>	<b>682,738</b>	<b>943,348</b>	<b>1,028,424</b>	<b>1,091,356</b>
<b>GROSS CLAIMS (LESS AMOUNTS RECOVERABLE)</b>					
Fire (including sprinkler leakage)	26,268	32,021	27,561	43,199	31,880
Householders' comprehensive	13,281	22,529	24,367	33,175	41,506
Loss of profits	8,641	7,743	3,564	2,902	3,396
Crop (including hailstone)	1,421	1,347	1,180	3,187	2,070
Marine	11,859	19,068	18,244	15,988	19,240
Motor vehicles (including motor cycles)	66,780	94,954	109,588	105,201	131,534
Compulsory third party (motor vehicles)	98,403	121,293	125,029	209,207	238,237
Employers' liability and workers compensation	103,308	150,099	180,044	204,366	206,261
Personal accident	6,107	6,812	7,309	7,906	9,706
Public liability	8,416	8,342	10,698	10,620	12,624
Product liability	326	1,504	338	1,515	1,165
Plate-glass	1,017	1,288	1,414	1,681	1,969
Boiler/engineering and machine breakdown	404	979	1,264	1,687	2,403
Livestock	396	546	698	1,727	1,603
Burglary	3,271	3,384	3,376	3,644	5,004
Guarantee	134	376	310	876	133
Aviation	420	721	810	1,277	1,507
All risks/baggage	3,473	3,576	3,933	4,456	5,577
Contractors' all risks	1,557	746	2,774	2,886	3,154
Other	6,297	2,611	5,701	10,334	16,411
<b>Total claims</b>	<b>361,780</b>	<b>479,939</b>	<b>528,203</b>	<b>665,835</b>	<b>735,380</b>
Contributions to fire brigades	13,698	16,990	21,148	27,094	2,047
Commission and agents' charges	39,555	45,700	55,023	53,887	61,983
Expenses of management	71,048	89,247	104,569	124,683	141,924
<b>Total (a)</b>	<b>486,081</b>	<b>631,876</b>	<b>708,943</b>	<b>871,499</b>	<b>941,334</b>

(a) Excludes taxation, etc.

**Motor vehicle insurance (compulsory third party)**

The *Motor Car (Third Party Insurance) Act 1939* (now embodied in the *Motor Car Act 1958*) which came into force on 22 January 1941, made it compulsory for the owner of a motor vehicle to insure against any liability which may be incurred by him, or any person who drives such motor vehicle, in respect of the death of, or bodily injury to, any person caused by, or arising out of, the use of such motor vehicle.



VICTORIA—MOTOR VEHICLE INSURANCE (COMPULSORY THIRD PARTY):  
NUMBER OF MOTOR VEHICLES INSURED, 1977-78

Class of motor vehicle	Motor cars usually garaged—		Total
	Within a radius of 32 kilometres of the G.P.O., Melbourne	Outside a radius of 32 kilometres of the G.P.O., Melbourne	
Private and business	950,739	591,111	1,541,850
Goods carrying	116,636	171,132	287,768
Hire	4,136	3,617	7,753
Hire and drive yourself	2,350	422	2,772
Passenger transport	1,080	3,609	4,689
Miscellaneous	10,662	56,634	67,296
Motor cycle	20,413	26,266	46,679
Recreation vehicles	737	823	1,560
<b>Total</b>	<b>1,106,753</b>	<b>853,614</b>	<b>1,960,367</b>

### State Insurance Office

The State Insurance Office was established under the *State Insurance Office Act 1975* to assume the functions of the State Accident Insurance Office and the State Motor Car Insurance Office and came into operation on 1 July 1975. The Office is managed and controlled by the Insurance Commissioner and the policies issued are guaranteed by the Victorian Government.

The now superseded State Accident Insurance Office was constituted under the *Workers Compensation Act 1914* for the purpose of enabling employers to obtain from the State policies of insurance indemnifying them against their liability under the Workers Compensation Act or at common law or otherwise.

The now superseded State Motor Car Insurance Office was established under the *Motor Car (Third Party Insurance) Act 1939* for the purpose of enabling owners of motor cars to obtain policies of third party insurance required under that Act, and policies generally in relation to insurance of motor cars. Business commenced on 24 January 1941.

The transactions of the State Insurance Office from 1974-75 to 1978-79 are shown in the following table:

VICTORIA—STATE INSURANCE OFFICE: TOTAL BUSINESS  
(\$'000)

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
Gross premium	106,292	183,172	230,421	275,877	240,887
Net earned premium	85,325	138,077	178,065	259,497	261,548
Investment income	9,749	18,102	29,485	46,847	64,938
Net claims	101,006	140,504	178,991	229,946	273,894
Expenses and commission	5,329	4,534	9,025	14,723	18,914
Underwriting profit (loss)	-21,010	-6,961	-9,952	14,828	-31,260
Net profit (loss)	-11,261	11,141	19,534	61,675	33,678
Underwriting reserves	229,478	r336,228	r351,237	603,842	721,915
Other reserves	-48,179	-37,138	-18,004	28,671	46,422

### OTHER PRIVATE FINANCE

#### Public Trustee

The Public Trustee was constituted and incorporated by the *Public Trustee Act 1939* (which came into operation in 1940) and became the successor in law of the Curator of the Estates of Deceased Persons, and of the Master-in-Equity with respect to the administration of mental patients' property.

He is empowered by the Public Trustee Acts, under the guarantee of the State of Victoria, to act as a trustee, executor, administrator, and attorney, and in certain other capacities, and is required to undertake the protection and management of the property of certified patients in mental hospitals, of voluntary patients who so authorise him, and of infirm persons. An infirm person is a person certified by the Public Trustee to be

incapable of managing his affairs on account of age or infirmity. Certificates on the prescribed form (obtainable from the Public Trust Office) must be given by two medical practitioners acting independently of each other, before the Public Trustee may certify.

Any person may name the Public Trustee as his executor in his will, and may deposit such will with him for recording and safe custody. If the original will is not deposited with the Public Trustee, it is highly desirable that a copy of the will be sent to him with the name and address of the person holding the original will. A person may also obtain advice about his will at the Public Trust Office if he intends to appoint the Public Trustee executor.

The Public Trustee Acts enable the person appointed executor of a will to authorise the Public Trustee to act as executor in his place, and the next of kin of anyone dying intestate, or any other person entitled to a grant of administration, may also authorise the Public Trustee to act as administrator in his place. In cases where there is no one else entitled and ready to apply for a grant of administration, the Public Trustee is authorised to apply for a grant of administration himself.

Consequent on the passing of the *Public Trustee Act 1948*, the Public Trustee Fund at the Victorian Treasury was abolished and the proceeds of all estates, as from 1 October 1948, were invested in the Common Fund under the control of the Public Trustee.

**VICTORIA—PUBLIC TRUSTEE: COMMON FUND**  
(**\$'000**)

Particulars	1974-75	1975-76	1976-77	1977-78	1978-79
Proceeds of realisations, rents, interest, etc.	25,621	31,120	37,484	41,094	45,655
Investments, distributions, claims, etc.	20,199	23,868	30,453	34,467	33,889
Cash variation	5,422	7,252	7,031	6,627	11,766
Balance at 1 July	37,340	42,762	50,014	57,045	63,672
Balance at 30 June	42,762	50,014	57,045	63,672	75,438

**VICTORIA—APPLICATIONS BY PUBLIC TRUSTEE  
FOR PROBATE, LETTERS OF ADMINISTRATION, ETC.,  
AND NUMBER OF WILLS LODGED FOR CUSTODY**

Year	Number of applications	Number of wills
1974-75	1,398	4,922
1975-76	1,206	3,682
1976-77	1,338	3,278
1977-78	1,296	2,780
1978-79	1,194	2,851

**Trustee companies**

Through the *Trustee Companies Act 1958* eight companies are authorised to act as executors or administrators if named in a last will and testament and to apply for and obtain Probate or Letters of Administration.

Private individuals who may apply for Letters of Administration or who are named as executor by the testator may authorise a trustee company to apply for Letters of Administration or Probate as if such application had been made on the company's own application. In addition to acting as executor or administrator, the companies are also authorised to act as trustees, agents, and in a number of other fiduciary capacities.

Each company has lodged with the Victorian Treasury the sum of \$20,000 as security in place and stead of the Administration Bond required in the case of private individuals granted Letters of Administration. Further protection is afforded to the estates under administration of trustee companies by the imposition of a statutory reserve liability over the share capital of each company. The companies' charges are limited by the *Trustee Companies Act 1958* to a maximum commission charge of 5 per cent on capital and 6 per cent on income. The capital commission is a once only charge regardless of how long the estate remains under the administration of the trustee company.

**VICTORIA—TRUSTEE COMPANIES: VALUES OF ESTATES  
ADMINISTERED AT 30 JUNE  
(\$m)**

Particulars	1975	1976	1977	1978	1979
Stock and debentures	164.6	185.0	148.4	118.3	102.4
Advances on mortgages	116.0	126.8	147.8	158.9	179.5
Property and livestock	104.7	116.1	145.7	154.4	157.5
Shares	198.4	205.4	203.6	207.9	246.5
Fixed and other deposits	49.2	54.9	68.0	56.5	67.4
Cash at bank	46.7	8.9	6.9	30.7	37.2
Other	34.0	36.3	40.7	28.9	33.3
<b>Total</b>	<b>713.6</b>	<b>733.4</b>	<b>761.1</b>	<b>755.6</b>	<b>823.8</b>

The values shown in the preceding table are probate values or values of assets at the time of their being committed to the care of the trustee companies.

The Victorian trustee companies also act as trustees for debenture and note issues of public companies and as trustees for unit holders in various unit trust schemes. The value of these issues and trusts, not included in the above table, approximates \$3,000m.

Further reference: *Victorian Year Book* 1964, pp. 758-60

#### Transfer of land

In Victoria there are two distinct types of title to land which has been alienated by the Crown. One is commonly known as a "General Law" title; the other as a "Torrens" or "Transfer of Land Act" title.

Any certificate of title can be searched at the Titles Office for a small fee, and any person intending to deal with the registered proprietor of the land is not concerned to go behind any of the entries shown on that title. The certainty and accuracy of these particulars can be assumed.

Since 1953, there has existed in Victoria a method for the subdivision of land in strata and the issue of individual titles to flats (see pages 684-5 of the *Victorian Year Book* 1966). The *Strata Titles Act* 1967 introduced into Victoria a further method for the subdivision of land in strata. Existing methods can still be used, as registration of a plan under Part II of the *Strata Titles Act* is not compulsory. Further information about the *Strata Titles Act* can be found on pages 695-6 of the *Victorian Year Book* 1968.

#### VICTORIA—NUMBER OF TITLES OF LAND ISSUED

Year	Certificates of title	Crown grants	Crown leases	Total titles
1974	61,848	1,125	129	63,102
1975	56,349	658	132	57,139
1976	58,808	784	292	59,884
1977	66,100	842	228	67,170
1978	56,084	1,063	369	57,516

#### Land transfers, mortgages, etc.

A summary of dealings lodged at the Titles Office under the Transfers of Land Act is shown under the following table for the years 1973-74 to 1977-78:

#### VICTORIA—DEALINGS LODGED AT THE TITLES OFFICE UNDER THE TRANSFER OF LAND ACT

Year	Number of transfers	Mortgages (a)		Entries of executor, administrator, or survivor	Plans of subdivision	Number of—		
		Number	Amount			Caveats	Other dealings	Total dealings
			\$'000					
1973-74	180,418	85,057	1,598,686	17,130	5,800	27,711	129,895	446,011
1974-75	128,301	73,211	1,408,914	17,711	5,478	27,378	115,279	367,358
1975-76	155,435	75,008	1,613,032	16,885	6,017	28,476	138,569	420,390
1976-77	156,611	83,965	2,046,284	17,546	7,789	34,525	136,077	436,513
1977-78	134,459	83,723	2,223,317	17,801	7,194	41,975	127,719	412,871

(a) Excluding certain mortgages, principally to trading banks to secure overdrafts on current accounts.

## VICTORIA—DEALINGS UNDER THE PROPERTY LAW ACT

Year	Mortgages (a)		Reconveyances		Conveyances	
	Number	Amount	Number	Amount (b)	Number	Amount
		\$'000		\$'000		\$'000
1973-74	1,261	44,755	2,218	7,182	4,219	82,953
1974-75	971	28,866	1,817	7,209	3,541	63,120
1975-76	1,407	35,268	1,929	7,274	3,703	71,499
1976-77	1,176	33,227	2,025	14,340	3,798	96,148
1977-78	1,201	49,040	1,976	10,037	3,877	91,794

(a) Excluding certain mortgages, principally to trading banks to secure overdrafts on current accounts.

(b) Excluding repayments designated "principal and interest".

*Mortgages of real estate*

Details of mortgages lodged for registration under the Transfer of Land Act and the Property Law Act (mentioned in the two preceding tables) are shown in the following table.

Certain mortgages (principally to trading banks to secure overdrafts on current accounts) have not been included in the figures as only the number of such mortgages, and not the amounts involved, are available. Particulars of mortgages not lodged for registration are not available.

## VICTORIA—MORTGAGES (a) OF REAL ESTATE LODGED FOR REGISTRATION

Type of mortgagee	1975-76		1976-77		1977-78	
	Number	Amount	Number	Amount	Number	Amount
		\$'000		\$'000		\$'000
Banks	34,525	626,347	37,002	739,697	35,016	763,029
Building societies	11,296	239,986	12,187	290,937	13,030	344,081
Co-operative housing societies	3,278	55,473	3,028	59,597	3,114	70,293
Friendly societies	99	1,650	225	4,953	264	5,915
Insurance companies	1,149	47,735	1,615	71,202	1,754	82,769
Government institutions	3,639	74,630	3,294	88,571	3,767	109,530
Trustee institutions	368	22,830	705	46,068	758	49,630
Finance companies	6,365	181,765	8,164	247,142	7,137	226,626
Private individuals	12,861	264,749	13,628	324,628	12,860	329,365
Other mortgagees	2,835	133,134	5,293	206,717	7,224	291,121
Total	76,415	1,648,300	85,141	2,079,512	84,924	2,272,357

(a) Excluding certain mortgages, principally to trading banks to secure overdrafts on current accounts.

*Stock mortgages and liens on wool and crops*

The number and amount of stock mortgages, liens on wool, and liens on crops registered at the Office of the Registrar-General during the years 1974 to 1978 are shown in the following table. Releases of liens are not required to be registered as, after the expiration of twelve months, the registration of all liens is automatically cancelled. Very few mortgagors of stock secure themselves by a registered release.

VICTORIA—STOCK MORTGAGES AND LIENS  
ON WOOL AND CROPS

Security	1974	1975	1976	1977	1978
Stock mortgages—					
Number	586	587	344	268	298
Amount (\$'000)	1,871	906	1,215	602	(a)
Liens on wool—					
Number	9	12	11	15	10
Amount (\$'000)	65	231	75	43	(a)
Liens on crops—					
Number	183	105	120	131	204
Amount (\$'000)	858	763	602	1,011	(a)
Total—					
Number	778	704	475	414	512
Amount (\$'000)	2,794	1,900	1,892	1,656	(a)

(a) These figures are no longer available.

*Bills of sale*

The following are the numbers and amounts of bills of sale which were filed at the Office of the Registrar-General during the years 1974 to 1978:

## VICTORIA—BILLS OF SALE

Security	1974	1975	1976	1977	1978
Bills of sale—					
Number	20,515	22,139	29,127	29,729	28,845
Amount (\$'000)	53,743	65,896	95,211	115,714	(a)

(a) These figures are no longer available.

Further references: *Victorian Year Book*, 1974, pp. 708–11; Assurance fund, 1977, pp. 626–7; Probate, 1978, pp. 538–9

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Finance companies, Australia (monthly) (5614.0)

Financial corporations statistics (monthly) (5617.0)

General insurance (5620.0)

Housing finance for owner occupation (monthly) (5609.0)

Housing finance for owner occupation, permanent building societies (monthly) (5610.0)

Housing finance for owner occupation, savings banks and trading banks (monthly) (5608.0)

Instalment credit for retail sales (monthly) (5631.0)

Life insurance (annual) (5622.0)

Life insurance (monthly) (5621.0)

Major trading bank statistics (preliminary) (monthly) (5603.0)

Permanent building societies (annual) (5632.0)

Terminating building societies (annual) (5633.0)