# 21

# PRIVATE FINANCE

## CREDIT FACILITIES IN THE 1970s

### Introduction

Sources of credit change gradually in response to the needs of borrowers. Reference to the accompanying table shows the way in which non-bank financial institutions have been able to fill gaps in the provision of financial services, particularly in those areas where official control limited banks' adaptation to the market's needs. For example, even with the gradual reductions of savings bank prescribed asset ratio requirements, the volume of lending for housing from savings banks was insufficient to meet the prevailing needs of the household sector. This inevitably aided the growth of non-bank sources of housing finance. Similarly, the major trading banks' comparative balance sheet growth was constrained by their inability to compete vigorously for deposits, at least until 1981.

However, from early 1972, ability of the major trading banks to compete in financial markets was enhanced by liberalisation of the interest rate arrangements applying to both lending and borrowing, including abolition of interest rate ceilings on certificates of deposit and large overdrafts. From the end of 1974, the banks strongly marketed their interest rate competitiveness through these certificates of deposit and, on the asset side, paid particular attention to widening their range of lending services. This included the introduction of Bankcard and increasingly strong marketing of personal loans as well as specialised forms of commercial finance such as leasing. As a result of these developments, the pace of decline in the relative importance of banks in the financial system tended to abate.

AUSTRALIA—TOTAL ASSETS OF FINANCIAL INSTITUTIONS: PER CENT OF TOTAL AT 30 JUNE

| Financial institutions | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980p |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Trading banks | 22.1 | 21.2 | 20.0 | 21.3 | 22.7 | 24.0 | 23.8 | 22.8 | 22.3 | 22.7 | 23.3 |
| Savings banks | 19.7 | 19.0 | 17.9 | 17.7 | 17.1 | 17.7 | 17.4 | 16.8 | 16.6 | 15.9 | 14.9 |
| Other banking institutions | 1.2 | 1.4 | 1.4 | 1.1 | 1.1 | 1.1 | 1.2 | 1.1 | 1.0 | 1.0 | 1.1 |
| Banks (consolidated) *(a)* | 41.4 | 39.9 | 37.6 | 38.7 | 39.1 | 41.1 | 40.9 | 39.4 | 38.9 | 38.5 | 38.3 |
| Reserve Bank | 8.3 | 8.6 | 9.3 | 8.5 | 8.3 | 7.0 | 6.9 | 7.8 | 7.6 | 7.7 | 7.9 |
| Life insurance offices | 14.4 | 14.3 | 13.5 | 12.5 | 12.0 | 11.6 | 10.9 | 10.2 | 10.1 | 9.5 | 9.2 |
| Public pension funds | 4.5 | 4.5 | 4.4 | 4.1 | 3.8 | 3.9 | 4.0 | 3.9 | 4.1 | 4.0 | 4.0 |
| Private pension funds | 4.2 | 4.2 | 4.0 | 3.6 | 3.6 | 3.6 | 3.7 | 3.7 | 3.9 | 3.9 | 3.9 |
| Non-life insurance offices | 4.7 | 4.8 | 4.7 | 4.3 | 4.4 | 4.5 | 4.9 | 5.8 | 5.4 | 6.0 | 5.4 |
| Finance companies | 9.2 | 9.7 | 10.3 | 11.7 | 12.6 | 12.0 | 12.2 | 12.4 | 12.6 | 12.0 | 11.7 |
| General financiers | 0.5 | 0.5 | 0.7 | 0.9 | 1.0 | 0.9 | 1.0 | 1.0 | 1.1 | 1.3 | 1.3 |
| Money market corporations | 2.1 | 2.4 | 3.4 | 3.9 | 3.7 | 3.5 | 3.3 | 3.3 | 3.4 | 3.7 | 4.3 |
| Permanent building societies | 2.8 | 3.4 | 4.1 | 4.8 | 5.2 | 5.4 | 5.7 | 6.2 | 6.6 | 6.8 | 7.1 |
| Terminating building societies | 1.8 | 1.7 | 1.5 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 |
| Authorised money market dealers | 1.7 | 1.8 | 2.2 | 1.4 | 0.7 | 1.2 | 1.2 | 1.1 | 1.3 | 1.2 | 1.1 |
| Credit co-operatives | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 1.0 | 1.0 | 1.2 | 1.3 | 1.4 |

AUSTRALIA—TOTAL ASSETS OF FINANCIAL INSTITUTIONS: PER CENT OF TOTAL AT 30 JUNE—*continued*

| Financial institutions | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980p |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Pastoral finance companies | 1.7 | 1.5 | 1.3 | 1.3 | 1.2 | 1.1 | 1.0 | 0.7 | 0.7 | 0.7 | 0.8 |
| Other financial institutions | 2.4 | 2.3 | 2.4 | 2.4 | 2.4 | 2.3 | 2.2 | 2.3 | 2.1 | 2.3 | 2.6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*(a)* Identifiable balances between the above groups excluded.

## Household sector

In the 1960s, finance companies were the major providers of credit for private consumption expenditure through the avenue of hire purchase. Their position was challenged from March 1967 when trading banks were permitted to make personal loans (secured or unsecured loans repayable by instalments usually spread over 2-5 years and at a flat rate of interest). The 1970s saw finance company emphasis on consumer instalment credit change to a more balanced portfolio of business and consumer loans. In the early 1970s, some finance companies made substantial advances on (and investments in) certain classes of real estate, which in a number of cases subsequently proved detrimental to their viability; more recently the emphasis has been on the provision of lease finance to businesses, and consumer and personal loans.

A major development in the availability of credit to the household sector was the introduction of Bankcard — a credit card system operated jointly by the Australian banks — in late 1974. Bankcard allows credit up to a specified limit on an unsecured basis for the purchase of goods and services or for obtaining cash advances on presentation of a charge card.

The result of these developments was that instalment credit balances outstanding declined from 46 per cent ($1,562m) of finance companies' total balances outstanding in June 1970 to 24 per cent ($2,873m) in June 1980, and for their personal loans the percentage grew from 5 per cent to 12 per cent over the same period. By June 1980, advances outstanding on Bankcard had reached $936m, and the major trading banks' personal loans outstanding grew from $65m (1.5 per cent of major trading banks' total loans, advances and bills discounted) in June 1970 to $2,236m (13 per cent) in June 1980.

Housing finance remained the household sector's most important requirement for finance during the decade and the savings banks and permanent building societies were the dominant providers of this long-term finance. The 1970s saw the very rapid growth of permanent building societies as providers of housing finance. Individual societies do not operate in more than one State and are subject to State legislation. The provisions of these various State Acts are not uniform but in all cases they are far less onerous than those of the Banking Act, which guide the nationally operating savings banks. (State Government owned savings banks are not subject to the Banking Act, but generally conform to the operating practices of the nationally operating banks.)

This difference enabled the permanent building societies to grow rapidly during the decade, to become almost equal with the savings banks as sources of home finance. In June 1970, permanent building societies' mortgage loans outstanding were $994m, rising to $8,510m in June 1980. Comparable figures for the savings banks were $1,898m and $10,640m, respectively. For 1979-80, permanent building societies provided 34 per cent of the value of housing loans approved to individuals for the construction or purchase of a dwelling, the savings banks approved 38 per cent with the sources of the remaining 28 per cent split among the trading banks (mainly for bridging finance), finance companies, life insurance companies, and other lenders. The share of lending by life insurance companies and pension funds declined during the decade. Inflationary pressures in the 1970s, reduction in taxation advantages on their type of operations, and better return on investment elsewhere saw these institutions divert funds away from housing.

## Commercial sector

Throughout the 1970s, the trading banks remained the major financiers and source of funds, though their pattern and type of lending underwent considerable change.

The major trading banks' ability to provide a varied range of consumer and commercial finance expanded with the introduction of the Term Loan Fund, which had commenced in 1962 to enable lending for periods of 3-10 years. The ensuing years saw the introduction of commercial bill financing, personal instalment loans, leasing finance operations, consortium loans (often in conjunction with overseas financial institutions) especially for large resources projects, and in 1974, Bankcard (which effectively assists a merchant in financing his working capital needs). The following table illustrates the changed pattern of lending, with a reduction in lending to commercial enterprises and a corresponding increase in personal lending, indicative of the strong competition from finance companies and money market corporations to provide business finance and greater consumer demand for bank finance.

AUSTRALIA — MAJOR TRADING BANKS: LOANS, ADVANCES, BILLS DISCOUNTED *(a)*
(June, average)

| Item | 1970 | | 1980 | |
|---|---|---|---|---|
| | $m | Per cent of total | $m | Per cent of total |
| Temporary advances to wool buyers | 135 | 3.1 | 196 | 1.1 |
| Term loans | 484 | 11.0 | 1,916 | 10.9 |
| Farm development loans | 79 | 1.8 | 698 | 4.0 |
| Bills discounted | 34 | 0.8 | 268 | 1.5 |
| Personal instalment loans | 65 | 1.5 | 2,236 | 12.8 |
| Bankcard outstandings | . . | . . | 798 | 4.6 |
| Leasing *(b)* | 16 | 0.4 | 543 | 3.1 |
| Other | 3,588 | 81.5 | 10,860 | 62.0 |
| Total *(c)* | 4,401 | 100.0 | 17,514 | 100.0 |

*(a)* Comparable data for all banks is not available.
*(b)* Residual value leasing only. Leveraged leasing data not available as recorded in "other securities" in balance sheets.
*(c)* May not add due to rounding.

A bank's commercial bill operations involve the acceptance/endorsement and discounting of bills drawn by its customers and, for funds management purposes, the purchase and sale of bills, including those endorsed by other banks. A bank acceptance/endorsement helps the customer to raise funds in financial markets, as "bank bills" are normally more marketable and carry lower yields than "non-bank bills" of comparable maturity. By discounting a bill, a bank is committed to provide funds to its customer, and hence discounting forms an alternative means of providing bank finance. The data for bills discounted in the preceding table understates the magnitude of bank's bill operations. The figures only include all bills acquired by major trading banks whether through market dealing or as a result of commitments entered into with customers. In January 1974 (the earliest published data), bills outstanding under acceptance/endorsement and discount limits of all trading banks and the State Savings Bank of Victoria amounted to $692m and in June 1980 this had increased to $5,044m.

Leasing arrangements involve a bank purchasing specific goods and then leasing them for a set term to its customer who at the end of the lease has to meet any shortfall in the residual value of the goods, i.e., between assessed and realised value (residual value leasing). An important refinement to banks' leasing operations occurred in 1976 with the introduction of leveraged leasing whereby suitably qualified lessors (including banks) form themselves into partnerships to utilise available taxation benefits. Leveraged leasing is a highly technical and flexible financial arrangement and the leveraged leasing package usually includes debt finance.

In addition to introducing new methods of financing, a gradual change was occurring in the provision of overdraft facilities by banks. Rising deposit interest rates, coupled with the cost of providing finance and the cost of unutilised overdraft limits saw the increasing emphasis being placed on fully drawn advances. With fully drawn advances, the specific amount required is lent and a fixed repayment arrangement is agreed. Consequently, the cost of retaining unused liquidity is reduced and allocation of funds maximised.

In the decade to 1980, three specialised development banks operated. The Commonwealth Development Bank, operating since 1960, continued to provide finance for primary production and the establishment or development of industrial undertakings. The Australian Resources Development Bank (in operation since 1967) provided long-term finance for major Australian venture projects by re-financing of trading bank loan facilities, the provision of direct lending and at times, direct equity participation. In 1978, the Primary Industry Bank of Australia was incorporated to provide financial assistance to the agricultural and fishing industries.

The emergence of banks as short-term lenders to the household sector and the narrowness of finance companies' portfolios, dominated by instalment credit for retail sales, encouraged diversification of finance companies' operations. In the property boom of the early 1970s, finance companies made heavy commitments to property development, as already mentioned and, subsequently, emphasis was given to leasing and direct commercial lending in the form of wholesale finance and factoring. The wholesale finance and factoring share of finance company outstandings rose from 5.7 per cent in June 1970 to 11.5 per cent in June 1980. The annual amount of wholesale finance and factoring finance provided rose from $1,151m in 1969–70 to $5,336m in 1979–80. The value of all lease agreements outstanding in June 1980 was $6,552m compared with $346m in June 1970. Despite the problems experienced during the decade, property development remained a feature of finance company activity, representing an estimated one-third of their total balances outstanding at the beginning of 1980.

The mineral boom of the late 1960s saw money market corporations (usually known as "merchant banks") emerge as an important segment of the financial sector. While their growth in the early 1970s was associated mainly with foreign investment in resources projects, their role in other areas of financing expanded. The changing economic climate of the mid and late 1970s, with lesser emphasis on large-scale resources projects at that time, led to a growing concentration by merchant banks on the provision of short and medium-term finance by way of commercial bills, bridging loans, term loans, and mortgage loans. Total loans, advances, and bills discounted (excluding those to related corporations) were about $515m in June 1970 and rose to $5,196m in June 1980, having doubled over the preceding three years.

In general, life insurance offices and pension funds declined in importance as lenders to the commercial sector, partly as a result of money market corporation competition and the removal of tax concessions which have hampered their ability to attract funds. Nonetheless, these organisations continued to provide long-term funds for commercial and residential property development and to provide equity finance for resource development.

### Conclusion

The 1970s highlighted the changing needs of the commercial and private sector requirement for funds, and the ability of institutions to adopt lending policies to suit borrowers' needs. The growth of consumer credit, boosted by the provision of personal loans by the banks and the introduction of Bankcard, reflected the emergence of the household sector as a growing competitor for funds rather than as the traditional provider of funds. Bank moves to fulfil household sector finance needs were to some extent matched by the increasing involvement of non-banks in the provision of commercial sector loans.

## BANKING

### Banking in 1980

In 1980, there was a continuing official concern about growth in volume of money. The Commonwealth Government maintained a commitment to the reduction of inflation; curtailment of monetary growth was seen as necessary to achieve this.

The four broad areas which contribute to, or detract from, the formation of money are:
(1) Private sector external transactions (i.e., the amount by which private sector receipts into Australia exceed payments abroad);
(2) the Commonwealth Government's domestic budgetary transactions;
(3) growth in bank lending; and
(4) transactions between the Reserve Bank of Australia and the private sector with regard to the purchase/sale of Commonwealth Government securities.

In addition, there are from time to time various other transactions between the Reserve Bank and the private sector which affect the latter's holdings of money.

Policies directed at control of monetary growth can entail any of the above factors and frequently include a directive about growth in bank lending. In practice, since strong savings bank lending is generally seen as desirable because of its ramifications for the housing sector, the brunt of lending control falls onto the trading banks. From January 1976, the Australian major trading banks (MTB) operated under a quantitative guideline which was designed to limit their combined new lending approvals. At the end of 1977, the Reserve Bank combined with this control over new lending approvals, an indication that restriction of growth in total outstandings on loans would be desirable. Monitoring of this growth in outstandings gradually became the more important tool for quantitative control; emphasis on the measurement of new lending approvals was dropped. In September 1979, it was indicated to banks that their combined yearly growth rate in total loans outstanding should be around 10 per cent during 1979-80.

**Volume of money**

As 1979 closed, growth in M3 (volume of money, measured by the public's holdings of notes and coin, trading, and savings bank deposits) was 11.5 per cent higher than it had been a year earlier. While this was not necessarily inconsistent with the aim of 10 per cent M3 growth for the year to June 1980 (announced by the Commonwealth Treasurer when he brought down the 1979-80 Budget in August 1979), the new year opened badly from the point of view of monetary management. The seasonal fall in trading bank loans outstanding was not as great in January as could have been expected and total outstandings thus were 15.3 per cent higher than in January 1979; the system did not appear to be moving much closer to the Reserve Bank's suggested 10 per cent annual growth rate. More importantly, however, Australia's attractiveness to overseas investors improved temporarily but sharply and private capital inflow (including the balancing item) for the month of January totalled $596m. The effect was that the yearly rate of M3 growth rose to 12.6 per cent in January, clearly contrary to official hopes.

After January, rising interest rates overseas caused a lull in the rate of capital inflow to Australia and MTB lending growth re-emerged as the chief contributor to M3 growth. This was particularly so from April onwards, when the Commonwealth Government's accounts swung into surplus under the influence of taxation collections. The yearly rate of M3 growth declined each month until May, when a large capital inflow again demonstrated the vulnerability of Australia's monetary targets to interest differentials between Australia and abroad and to the decisions of overseas investors. Private capital inflow (plus balancing item) was $569m in May and pushed the yearly M3 growth rate to 11.4 per cent. It then became fairly obvious that M3 growth would not be acceptably close to the target of around 10 per cent for 1979-80. In fact, a fairly strong inflow of private capital continued in June and was instrumental in lifting M3 growth again, to 12.3 per cent.

When the Commonwealth Treasurer brought down the Budget for 1980-81 in August 1980, he suggested that M3 growth of 9 to 11 per cent would be desirable for the year as a whole. The Commonwealth Government itself planned to assist monetary restraint, with a budgeted domestic surplus of $39m. The Reserve Bank continued to suggest that a yearly growth of 10 per cent in MTB oustandings would be appropriate and the trading banks aimed to comply with this guideline: the annual rate of growth in total loans outstanding declined significantly from 17.1 per cent in July to 12.2 per cent in December. In the December half however, there was a substantial increase in private capital inflow (including the balancing item); it amounted to $2,358m for the six months, compared with $96m in the corresponding period of the preceding year. This was instrumental in holding M3 growth up; it was 13.2 per cent in July and—despite the significant cut back in bank lending growth—was still 13.0 per cent in December.

**Removal of deposit ceiling**

On 2 December 1980, banks received a significant freedom. The Commonwealth Treasurer announced the removal of interest rate ceilings on savings bank and trading bank fixed deposits (formerly 9 and 10 per cent, respectively). This immediately gave banks greater ability to compete with other deposit-taking institutions, although the maintenance of ceilings on lending interest rates in the under $100,000 area continued to curb the advantage.

### Bank deposits

Total MTB deposits in Australia rose by 13.4 per cent ($2,978m) during the year to reach $25,128m at the end of 1980. This growth rate was slightly higher than the 13.0 per cent ($2,549m) increase in 1979. In 1980, current deposit growth was particularly strong at 19.3 per cent, above the 16.8 per cent rise of the previous year, while growth in term deposits (including certificates of deposit) slowed to 8.8 per cent, down from 10.1 per cent in 1979. As a result the ratio of term deposits to total deposits fell from 55.4 per cent to 53.1 per cent.

Savings bank deposits in Australia increased by $2,123m (10.3 per cent) to $22,699m in the year ended December 1980, greater than the growth of $1,706m (9.0 per cent) in the year ended December 1979. Investment accounts increased by 16.9 per cent and their ratio to total deposits increased over the year from 38.6 per cent to 40.8 per cent. Growth in passbook and other deposits slowed from an annual rate of 8.0 per cent in December 1979 to 6.2 per cent in December 1980.

### Bank lending

New lending commitments by the MTBs in 1980 peaked in November and December, both months recording levels of $185m a week, and averaged $156m a week during the year, the same as in 1979. MTB loans, advances, and bills discounted increased by 12.2 per cent ($2,027m) in the year to December 1980, less than the 14.5 per cent ($2,097m) growth for 1979.

In the year ended December 1980, the level of all savings bank housing and other loans outstanding increased by $1,360m (12.0 per cent) to reach $12,701m in December 1980, compared with an increase of $1,383m (13.9 per cent) in the year ended December 1979. The proportion of housing and other loans outstanding to total deposits rose from 55.1 per cent to 56.0 per cent over this latest twelve-month period.

### Banking in Victoria

MTB deposits in Victoria totalled $6,156m at the end of 1980, an increase of 10.1 per cent ($564m) on the previous year. Victoria's share of national deposits was 24.5 per cent at December 1980, a fall of 0.7 percentage points on 1979.

Savings bank deposits in Victoria grew by $836m (11.1 per cent) over the year ended December 1980 to reach $8,364m compared with an increase of $613m (8.9 per cent) in the same period the previous year. In December 1980, Victoria's share of all savings bank deposits in Australia was 36.8 per cent, up marginally from 36.6 per cent a year earlier.

In December 1980, savings bank deposits in Victoria averaged $2,152 per head of population, up $195 (10.0 per cent) from the preceding December's $1,957. The Australia-wide average rose by $136 (9.6 per cent) to reach $1,553 in the same period.

**Further references: 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 | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|---|
| Liabilities— | | | | | |
| Capital and reserves | 46 | 46 | 46 | 46 | 46 |
| Special reserve— | | | | | |
| IMF Special Drawing Rights | 217 | 222 | 276 | 373 | 407 |
| Australian notes on issue | 3,172 | 3,549 | 3,950 | 4,416 | 4,958 |
| Statutory Reserve Deposit accounts of trading banks | 1,304 | 1,121 | 870 | 1,272 | 1,632 |
| Other deposits of trading banks | 69 | 42 | 33 | 16 | 9 |
| Deposits of savings banks | 1,213 | 1,123 | 1,093 | 657 | 393 |
| Other liabilities | 1,255 | 2,282 | 2,815 | 4,296 | 4,865 |
| Total | 7,276 | 8,385 | 9,083 | 11,076 | 12,310 |
| Assets— | | | | | |
| Gold and foreign exchange | 2,612 | 2,720 | 3,236 | 4,553 | 5,496 |
| Australian notes and coin | 27 | 35 | 38 | 41 | 50 |
| Cheques and bills of other banks | 6 | 5 | 4 | 5 | 7 |
| Commonwealth Government securities— | | | | | |
| Redeemable in Australia— | | | | | |
| Treasury bills and notes | 1,758 | 2,315 | 2,300 | 3,378 | 3,759 |
| Other | 2,190 | 2,453 | 2,590 | 2,315 | 2,281 |
| Bills receivable and remittances in transit | 78 | 82 | 86 | 137 | 158 |
| Loans, advances, and all other assets | 605 | 775 | 829 | 647 | 559 |
| Total | 7,276 | 8,385 | 9,083 | 11,076 | 12,310 |

## AUSTRALIA—RESERVE BANK: RURAL CREDITS DEPARTMENT: AVERAGE LIABILITIES AND ASSETS

($m)

| Particulars | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|---|
| Liabilities (excluding capital and contingencies) | 289.0 | 483.1 | 549.3 | 381.9 | 224.1 |
| Assets (loans, advances, etc.) | 350.3 | 549.3 | 619.4 | 455.8 | 302.5 |

### *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) |
|---|---|---|
| 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 |
| 31 March 1980 | 1.0831 | 84.4 |
| 30 June 1980 | 1.1576 | 85.0 |
| 30 September 1980 | 1.1690 | 85.8 |
| 31 December 1980 | 1.1807 | 87.1 |
| 31 March 1981 | 1.1684 | 88.8 |
| 30 June 1981 | 1.1480 | 92.9 |
| 30 September 1981 | 1.1414 | 93.8 |

(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. The Australian banks have also provided currency hedging facilities since June 1979. In March 1980, the Sydney Futures Exchange established a currency futures market.

### *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 Commonwealth 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 at 30 June 1981, had a network of 1,293 branches and agencies throughout Australia. It also has a comprehensive network of correspondent banks overseas and branches in London, New York, Papua New Guinea, and Norfolk Island, an agency in Los Angeles, and representative offices in Hong Kong, Tokyo, and the Cayman Islands.

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 |
| 1977 | 2,673 | 1,314 | 3,987 | 2,544 | 1,622 |
| 1978 | 2,730 | 1,430 | 4,160 | 3,002 | 1,685 |
| 1979 | 3,140 | 1,738 | 4,878 | 3,397 | 1,769 |
| 1980 | 3,495 | 1,960 | 5,455 | 3,736 | 1,801 |
| 1981 | 3,884 | 2,216 | 6,100 | 4,110 | 1,902 |

### *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 1981 of $8,556m. Deposits with the CSB are guaranteed by the Commonwealth Government.

The CSB offers a wide range of savings facilities including individual, joint, and trustee accounts as well as higher interest investment accounts and the recently introduced Keycard accounts which also attract a higher interest rate than normal passbook accounts. Societies and clubs are also catered for with passbooks and special cheque accounts. The Bank operates a Christmas Club which at 30 June 1981 had over 355,000 members with total balances exceeding $38m. The CSB, jointly with the Commonwealth Trading Bank operates Travelstrength Limited and CBFC Limited. Travelstrength Limited provides a full travel service for existing and non-customers alike while CBFC Limited caters for general finance needs including leasing, hire purchase, and commercial and personal loans.

At 30 June 1981, amounts on deposit with the CSB totalled $8,097m. The CSB was conducting 8,402,000 active accounts and its services were available through an Australia-wide network of 1,243 branches and sub-branches as well as 5,674 agencies.

The CSB maintains the largest commercial on-line computer system in Australia with 2,308 terminals installed at branches and over 8,200,000 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 $4,271m outstanding at 30 June 1981, investments in Commonwealth and State Government securities totalled $1,764m, and in local and semi-governmental securities amounted to $2,189m.

During 1980–81, the CSB remained Australia's largest lender for housing and approved housing loans totalling $903m, providing 34 per cent of all housing loan finance made available by savings banks. A feature of the CSB's housing lending programme in 1980–81 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 1980-81, the CSB continued its long-established programme of support to local and semi-government bodies by providing loans of $204m 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 |
| 1977 | r8,008 | 5,953 | 2,816 | 2,754 |
| 1978 | r8,149 | 6,554 | 3,197 | 2,965 |
| 1979 | 8,234 | 7,093 | 3,540 | 3,322 |
| 1980 | r8,286 | 7,521 | 3,937 | 3,427 |
| 1981 | 8,402 | 8,097 | 4,271 | 3,972 |

### *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 over-riding 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 undertakings including, service industries, professions, tourism, 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 approved instalment payment arrangements for the acquisition of income-earning plant, equipment, and motor vehicles used in primary production and business.

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.

Loan approvals for the year ended 30 June 1981 numbered 2,304 for a total amount of $93m and equipment finance approvals numbered 5,000 for a total amount of $65m.

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

| Type of industry | Rural loans | | Type of industry | Business loans | |
|---|---|---|---|---|---|
| | 1980 | 1981 | | 1980 | 1981 |
| Beef cattle | 57,715 | 54,995 | Manufacturing | 38,523 | 40,383 |
| Sheep | 79,417 | 84,495 | Transport, storage, and communication | 1,867 | 2,618 |
| Dairying | 31,959 | 38,642 | Retail and wholesale | 6,606 | 11,301 |
| Other livestock | 19,469 | 20,517 | Building and construction | 1,333 | 2,216 |
| Wheat | 64,934 | 71,308 | Fishing | 18,116 | 23,066 |
| Other grain crops | 19,613 | 20,471 | Tourism | 8,205 | 10,806 |
| Fruit | 12,482 | 13,789 | Sawmilling | 1,314 | 1,118 |
| Other rural industry | 26,510 | 32,752 | Other business and services | 7,551 | 12,842 |
| Total | 312,099 | 336,969 | Total | 83,515 | 104,350 |

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

## State Bank of Victoria

### *General*

The State Bank of Victoria, 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 three deputies.

The Bank accepts interest-bearing deposits through passbook, school bank, coupon club accounts, deposit stock, term deposits, and investment accounts. 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; secured and unsecured loans for personal and other purposes; and in Commonwealth Government securities.

The State Bank of Victoria is the largest bank in Victoria, having assets of $4,995m at 30 June 1981. The total deposits of its 4,027,030 operative accounts amounted to $4,261m which represented approximately 49.4 per cent of all savings bank balances, or 28.1 per cent of all bank balances, in Victoria. Depositors' balances have increased from $528.6m at 30 June 1956, the year in which private banks entered the savings field, to $4,261m at 30 June 1981. The Bank increased the number of its branches and sub-branches from 267 in 1956 to 541 in 1981. Secured and unsecured personal loans were introduced in November 1963. At 30 June 1981, 93,620 borrowers owed $289m. Funds also have been invested in its 25 per cent shareholding of Tricontinental Holding Limited in order to diversify its interests into the merchant banking field.

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.

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. Amendments to the Act assented to in December 1980 provided for further expansions of banking services and a change of name to the State Bank of Victoria, a title more in keeping with the Bank's present banking status.

Amendments to the State Savings Bank Act in 1978 and 1980 extended the overdraft lending powers of the Bank. In conjunction with other lending operations, this new facility enabled the Bank to offer a full, competitive banking service to business and individuals.

In order to provide banking facilities for an expanding population, and to maintain its market share in the 1956–1981 period, the Bank more than doubled its branches and sub-branches and many of the existing were re-built or modernised to provide attractive premises for clients and staff.

In November 1980, the Bank's main branch was transferred from nearby temporary premises to the new State Bank Centre head office complex at the corner of Bourke and Elizabeth Streets, Melbourne. In June 1981, administrative departments moved from other temporary locations to permanent quarters in the Centre.

At 30 June 1981, 396 branches were served by a computer complex at the Bank's Head Office. These included 328 directly linked by telegraph line. The computer also processed many Head Office accounting functions.

## *Lending*

### *Housing and farm loans*

The State Bank of Victoria 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 1981, 120,619 housing loan borrowers owed a total debt of $2,102m.

In less direct ways the Bank provides further assistance to home buyers. Overdraft accommodation has been provided to co-operative housing societies and, at 30 June 1981, $42.7m was owed to the Bank by co-operative societies. The Bank also provides funds to the Home Finance Trust which, at 30 June 1981, owed the bank $8.5m.

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 Limited (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 $10m in 1980–81 and at 30 June 1981; $42m was outstanding from 1,454 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 1981 was $809m.

### *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 1980–81 totalled $2.5m.

### *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. Further extensions to overdraft powers resulted from amendments to the Act passed in December 1980. These amendments enabled the Bank to provide overdraft facilities to any customer.

### *Other facilities*

*School banking*

The State Bank of Victoria's school bank system was introduced in 1912. At 30 June 1981, banking was provided at 2,104 schools for 457,126 depositors whose balances totalled $13.8m.

*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.

*Secondary securities market*

In September 1981, the Bank established a secondary market for the purchase and sale of securities of certain semi-government authorities. This facility was established to assist small holders wishing to sell securities prior to maturity, and to aid development within Victoria by making the securities of Victorian semi-governmental authorities more marketable.

*Other services*

A Christmas Club has operated since November 1964 and a Calendar Club with a variable term arrangement since 1971. For the year ended 30 June 1981, $28.5m was paid out to members of the Christmas Club, and $7.2m to members of the Calendar Club.

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

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

| Year | Depositors' accounts at 30 June | | Transactions | | Interest paid |
|---|---|---|---|---|---|
| | Number | Amount | Deposits | Withdrawals | |
| | '000 | $'000 | $'000 | $'000 | $'000 |
| 1976–77 | 3,588 | 2,849,284 | 12,537,767 | 12,446,814 | 147,109 |
| 1977–78 | 3,691 | 3,126,660 | 12,088,914 | 12,063,166 | 163,599 |
| 1978–79 | 3,804 | 3,467,642 | 14,098,620 | 14,031,665 | 177,729 |
| 1979–80 | 3,897 | 3,872,408 | 16,755,830 | 16,581,587 | 194,761 |
| 1980–81 | 4,027 | 4,259,855 | 22,167,363 | 22,093,467 | 241,094 |

VICTORIA—STATE BANK OF VICTORIA: ADVANCES AND BALANCES OUTSTANDING FOR MORTGAGE AND OTHER LOANS *(a)*
($m)

| Year | Advances | | | Balances outstanding at end of year |
|---|---|---|---|---|
| | Housing *(b)* | Farms | Churches, etc. | |
| 1976–77 | 330.1 | 3.2 | 1.5 | 1,280.8 |
| 1977–78 | 351.0 | 4.1 | 1.1 | 1,503.5 |
| 1978–79 | 352.6 | 6.6 | 1.4 | 1,704.9 |
| 1979–80 | 439.5 | 8.0 | 1.5 | 1,959.4 |
| 1980–81 | 461.4 | 10.0 | 2.5 | 2,165.5 |

*(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 of Victoria at the end of each of the five years to 1980–81 were: 1976–77, $89.4m; 1977–78, $107.7m; 1978–79, $127m; 1979–80 $145.5m; and 1980–81, $171.5m.

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

## Trading banks

The following tables show operations of trading banks in Victoria:

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

| Bank | At 30 June 1980 | | At 30 June 1981 | |
|---|---|---|---|---|
| | Branches | Agencies | Branches | Agencies |
| Major trading banks— | | | | |
| Commonwealth Trading Bank of Australia | 183 | 72 | 186 | 71 |
| Australia and New Zealand Banking Group Ltd*(a)* | 297 | 53 | 295 | 57 |
| The Bank of Adelaide | 2 | — | — | — |
| Bank of New South Wales | 210 | 6 | 211 | 5 |
| The Commercial Bank of Australia Ltd | 182 | 20 | 181 | 23 |
| The Commercial Banking Co. of Sydney Ltd | 151 | 17 | 151 | 16 |
| The National Bank of Australasia Ltd | 242 | 53 | 242 | 53 |
| Total major trading banks | 1,267 | 221 | 1,266 | 225 |
| Other trading banks— | | | | |
| Bank of New Zealand | 2 | — | 2 | — |
| Banque Nationale de Paris | 1 | — | 1 | — |
| Total other trading banks | 3 | — | 3 | — |
| Total all trading banks | 1,270 | 221 | 1,269 | 225 |
| Melbourne metropolitan area | 792 | 116 | 792 | 121 |
| Remainder of Victoria | 478 | 105 | 477 | 104 |

*(a)* From October 1980, includes the Bank of Adelaide.

### VICTORIA—MAJOR TRADING BANKS: AVERAGES *(a)* OF DEPOSITS AND ADVANCES, MONTH OF JUNE 1981 ($'000)

| Bank | Deposits repayable in Australia | | | Loans *(b)*, advances and bills discounted |
|---|---|---|---|---|
| | Not bearing interest | Bearing interest | Total | |
| Commonwealth Trading Bank of Australia | 412,624 | 696,234 | 1,108,858 | 845,778 |
| Private trading banks— | | | | |
| Australia and New Zealand Banking Group Ltd *(c)* | 810,055 | 963,899 | 1,773,954 | 1,426,297 |
| Bank of New South Wales | 333,854 | 616,418 | 950,272 | 705,584 |
| The Commercial Bank of Australia Ltd | 371,730 | 517,284 | 889,014 | 730,785 |
| The Commercial Banking Co. of Sydney Ltd | 191,424 | 279,892 | 471,316 | 341,482 |
| The National Bank of Australasia Ltd | 517,134 | 847,389 | 1,364,523 | 914,325 |
| Total | 2,636,820 | 3,921,116 | 6,557,936 | 4,964,251 |

*(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.
*(c)* From 1 October 1980 includes the Bank of Adelaide.

### 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 | |
| 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 |
| 1980 | 2,285,381 | 3,444,116 | 5,729,498 | 4,416,155 |
| 1981 | 2,636,820 | 3,921,116 | 6,557,936 | 4,964,251 |

*(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— 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| Resident borrowers— | | | | | |
| Business advances— | | | | | |
| Agriculture, grazing, and dairying | 290.8 | 301.6 | 333.1 | 356.8 | 429.5 |
| Manufacturing | 620.5 | 717.8 | 697.3 | 910.7 | 803.5 |
| Transport, storage, and communication | 56.9 | 57.5 | 58.9 | 70.3 | 99.1 |
| Finance | 224.4 | 293.1 | 253.3 | 269.9 | 270.4 |
| Commerce | 409.0 | 408.4 | 471.3 | 520.7 | 574.3 |
| Building and construction | 121.2 | 130.3 | 128.1 | 125.1 | 148.0 |
| Mining | 164.6 | 83.9 | 100.7 | 106.5 | 69.9 |
| Other businesses | 414.8 | 409.2 | 361.5 | 423.2 | 525.2 |
| Unclassified | 70.6 | 72.1 | 106.1 | 96.4 | 102.3 |
| Total business advances | 2,372.8 | 2,474.0 | 2,510.3 | 2,879.5 | 3,022.3 |
| Advances to public authorities | 113.2 | 58.9 | 53.2 | 52.8 | 92.1 |
| Personal advances | 1,037.6 | 1,184.6 | 1,400.7 | 1,521.4 | 1,817.1 |
| Advances to non-profit organisations | 35.5 | 39.7 | 39.5 | 42.4 | 47.3 |
| Total advances to resident borrowers | 3,559.2 | 3,757.2 | 4,003.8 | 4,496.0 | 4,978.8 |
| Non-resident borrowers | 5.7 | 2.6 | 4.8 | 11.7 | 13.8 |
| Grand total | 3,564.9 | 3,759.8 | 4,008.5 | 4,507.8 | 4,992.6 |

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 467-8) 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 |
|---|---|---|---|
| 1974 | 2,932.5 | 1978 | 5,552.6 |
| 1975 | 3,334.9 | 1979 | 7,050.1 |
| 1976 | 4,442.3 | 1980 | 7,854.9 |
| 1977 | 5,209.3 | 1981 | 8,871.0 |

### 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 October 1970, and increased to seven from August 1972, and then reduced to six from October 1980 with the merger of the Australian and New Zealand Savings Banks Ltd and the Bank of Adelaide.

## VICTORIA—PRIVATE SAVINGS BANKS: DEPOSITORS' BALANCES 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 |
| 1977 | 1,885,959 | r31.6 |
| 1978 | 2,059,088 | 31.4 |
| 1979 | r2,260,139 | r31.4 |
| 1980 | 2,389,071 | r30.5 |
| 1981 | 2,630,784 | 30.5 |

At 30 June 1981, private savings banks had 1,082 branches and 540 agencies throughout Victoria.

The following table shows the amount of depositors' balances in each savings bank in Victoria at 30 June 1977 to 1981:

VICTORIA—SAVINGS BANKS: DEPOSITS

| Savings bank | Depositors' balances at 30 June— | | | | |
|---|---|---|---|---|---|
| | 1977 | 1978 | 1979 | 1980 | 1981 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| State Bank (a) | 2,849,284 | 3,126,660 | 3,467,642 | 3,872,408 | 4,259,855 |
| Commonwealth Savings Bank of Australia | 1,242,289 | 1,366,780 | 1,478,579 | 1,577,267 | 1,731,301 |
| Private savings banks— | | | | | |
| Australia and New Zealand Savings Bank Ltd (b) | 620,913 | 675,553 | 733,416 | 769,846 | 827,262 |
| The Bank of Adelaide Savings Bank Ltd (b) | 3,933 | 4,466 | 5,393 | 4,749 | — |
| Bank of New South Wales Savings Bank Ltd | 414,550 | 452,941 | 494,292 | 525,669 | 567,246 |
| Bank of New Zealand Savings Bank Ltd | 591 | 703 | 949 | 1,190 | 1,317 |
| The Commercial Savings Bank of Australia Ltd | 248,270 | 272,616 | 306,751 | 327,163 | 366,358 |
| C.B.C. Savings Bank Ltd | 225,287 | 243,433 | 268,048 | 285,531 | 325,764 |
| The National Bank Savings Bank Ltd | 372,415 | 409,376 | 451,290 | 474,923 | 542,837 |
| Total deposits | 5,977,532 | 6,552,528 | 7,206,360 | 7,838,746 | 8,621,940 |
| | $ | $ | $ | $ | $ |
| Deposits per head of population | 1,588 | 1,719 | 1,878 | 2,029 | 2,206 |

(a) Including school bank and deposit stock accounts, but excluding balances held in London.
(b) From 1 October 1980, the Australia and New Zealand Savings Bank Ltd merged with the Bank of Adelaide.

## 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

C.40700/81—17

government securities), officially controlled interest rate ceilings, and asset ratio requirements, have been instrumental in affecting relative rates of growth between finance groups.

The Campbell Committee of Inquiry into the Australian financial system was the first since the 1937 Royal Commission into the Monetary and Banking Systems in Australia. The Committee of Inquiry was established early in 1979, an interim report was issued in May 1980, and in November 1981 its final report was tabled in Parliament. The recommendations in the report mainly favoured a loosening of existing controls and raised public debate on a number of issues.

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— | | | | |
|---|---|---|---|---|---|
| | 1976 | 1977 | 1978 | 1979 | 1980 p |
| | AMOUNT OF TOTAL ASSETS ($m) | | | | |
| Trading banks | r21,305 | r23,432 | r25,471 | 30,086 | 35,330 |
| Savings banks | 15,568 | 17,294 | 19,026 | 21,040 | 22,684 |
| Other banking institutions | 1,041 | 1,105 | 1,197 | 1,354 | 1,648 |
| Banks (consolidated) *(a)* | r36,572 | 40,578 | r44,466 | 50,957 | 58,115 |
| Reserve Bank | 6,193 | 8,057 | 8,679 | 10,247 | 12,007 |
| Life insurance offices | 9,703 | 10,503 | 11,568 | 12,646 | 14,001 |
| Public pension funds | 3,551 | r4,058 | r4,672 | 5,364 | 6,146 |
| Private pension funds | 3,282 | 3,811 | r4,423 | 5,131 | 5,944 |
| Non-life insurance offices | 4,390 | 5,935 | 6,195 | 7,984 | 8,219 |
| Finance companies *(b)* | 11,797 | 13,793 | 15,709 | 17,540 | 19,740 |
| Money market corporations | r2,980 | 3,356 | 3,873 | 4,932 | 6,460 |
| Building societies | 6,106 | 7,503 | r8,738 | 10,397 | 12,323 |
| Authorised money market dealers | 1,053 | 1,145 | 1,503 | 1,579 | 1,698 |
| Credit co-operatives | 839 | 1,066 | 1,342 | 1,760 | 2,192 |
| Pastoral finance companies | 883 | *(c)* 760 | 824 | 951 | 1,257 |
| Unit trusts, land trusts, and mutual funds | 396 | 415 | 447 | 562 | 935 |
| Investment companies | 416 | 484 | 529 | 582 | 649 |
| Other financial institutions | 1,179 | 1,455 | r1,436 | 1,873 | 2,239 |
| Total | r89,340 | r102,919 | r114,404 | 132,505 | 151,925 |
| | PROPORTION OF TOTAL ASSETS (per cent) | | | | |
| Trading banks | r23.8 | r22.8 | 22.3 | 22.7 | 23.3 |
| Savings banks | r17.4 | 16.8 | 16.6 | 15.9 | 14.9 |
| Other banking institutions | 1.2 | 1.1 | 1.0 | 1.0 | 1.1 |
| Banks (consolidated) *(a)* | 40.9 | 39.4 | 38.9 | 38.5 | 38.3 |
| Reserve Bank | 6.9 | 7.8 | 7.6 | 7.7 | 7.9 |
| Life insurance offices | 10.9 | 10.2 | 10.1 | 9.5 | 9.2 |
| Public pension funds | 4.0 | r3.9 | r4.1 | 4.0 | 4.0 |
| Private pension funds | 3.7 | 3.7 | 3.9 | 3.9 | 3.9 |
| Non-life insurance offices | 4.9 | 5.8 | 5.4 | 6.0 | 5.4 |
| Finance companies *(b)* | r13.2 | r13.4 | 13.7 | 13.3 | 13.0 |
| Money market corporations | 3.3 | 3.3 | 3.4 | 3.7 | 4.3 |
| Building societies | 6.8 | 7.3 | 7.7 | 7.8 | 8.1 |
| Authorised money market dealers | 1.2 | 1.1 | 1.3 | 1.2 | 1.1 |
| Credit co-operatives | r1.0 | 1.0 | 1.2 | 1.3 | 1.4 |
| Pastoral finance companies | 1.0 | *(c)* 0.7 | 0.7 | 0.7 | 0.8 |
| Unit trusts, land trusts, and mutual funds | 0.4 | 0.4 | 0.4 | 0.4 | 0.6 |
| Investment companies | 0.5 | 0.5 | 0.5 | 0.4 | 0.6 |
| Other financial institutions | 1.3 | 1.4 | 1.2 | 1.5 | 1.4 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*(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 financial institutions 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; the ceiling on bank deposit interest rates was removed in December 1980 and in August 1981 the minimum term for certificates of deposit was reduced to 30 days. 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.

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.

There was a 67 per cent growth in the asset value of unit trusts in 1979-80 in contrast to the limited growth experienced in past years.

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 pages 473-4). 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: AMOUNTS FINANCED, BALANCES OUTSTANDING, AND COLLECTIONS *(a)*
($m)

| Year | Instalment credit for retail sales | Personal loans *(b)* | Wholesale finance | Finance for housing *(c)* | Other commercial loans *(d)* | Total |
|---|---|---|---|---|---|---|
| | | | AMOUNTS FINANCED *(e)* | | | |
| 1977-78 | 340.2 | 208.0 | 1,175.2 | 231.4 | 391.4 | 2,346.2 |
| 1978-79 | 341.6 | 224.1 | 1,421.3 | 167.7 | 419.6 | 2,574.3 |
| 1979-80 | r298.0 | 239.5 | r1,536.2 | 158.2 | r514.9 | r2,746.8 |
| 1980-81 | 326.5 | 243.9 | 1,661.5 | 184.9 | 604.0 | 3,020.8 |

VICTORIA—FINANCE COMPANIES: AMOUNTS FINANCED, BALANCES OUTSTANDING, AND COLLECTIONS *(a)—continued*
($m)

| Year | Instalment credit for retail sales | Personal loans *(b)* | Wholesale finance | Finance for housing *(c)* | Other commercial loans *(d)* | Total |
|---|---|---|---|---|---|---|
| | | | BALANCES OUTSTANDING AT 30 JUNE | | | |
| 1977–78 | 607.2 | 370.8 | 330.9 | 652.6 | 747.0 | 2,708.5 |
| 1978–79 | 609.5 | 412.4 | 384.6 | 541.8 | 807.4 | 2,755.7 |
| 1979–80 | r572.1 | r423.0 | r423.3 | 497.2 | r898.1 | r2,813.7 |
| 1980–81 | 575.7 | 439.2 | 451.4 | 472.7 | 1,018.0 | 2,957.0 |
| | | | COLLECTIONS AND OTHER LIQUIDATIONS OF BALANCES *(f)* | | | |
| 1977–78 | 441.3 | 247.8 | 1,164.4 | 335.8 | 411.9 | 2,601.2 |
| 1978–79 | 488.6 | 276.8 | 1,406.7 | 336.5 | 480.6 | 2,989.2 |
| 1979–80 | r476.5 | r316.5 | r1,572.9 | 278.5 | r572.8 | r3,217.3 |
| 1980–81 | 461.8 | 324.1 | 1,699.1 | 251.7 | 652.5 | 3,389.2 |

*(a)* The statistics of finance companies presented from July 1978 are not completely comparable with those for earlier periods, especially the figures for housing, other commercial loans and total, because of changes in coverage and size criteria.
*(b)* Includes loans to persons for alterations or additions estimated to cost less than $10,000 to existing dwellings.
*(c)* Includes loans to persons for alterations or additions estimated to cost more than $10,000 to existing dwellings.
*(d)* Includes loans for the purpose of developing land into residential blocks.
*(e)* The actual cash provided. It excludes initial deposits, hiring charges, interest, and insurance.
*(f)* Covers cash collections of capital repayments, hiring charges, interest, and insurance and other liquidations such as bad debts, debts written off, and rebates for early payouts.

### 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 page 472), 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* 1981 (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)*
($m)

| Year | Motor vehicles, etc. | | | Household and personal goods | | | Total |
|---|---|---|---|---|---|---|---|
| | Finance companies | Other business | All business | Finance companies | Other business | All business | |
| 1976–77 | 276.8 | 0.9 | 277.8 | 66.2 | 84.4 | 150.6 | 428.4 |
| 1977–78 | 279.5 | — | 279.5 | 60.7 | 82.1 | 142.8 | 422.3 |
| 1978–79 | 279.5 | — | 279.5 | 62.2 | 69.3 | 131.5 | 411.0 |
| 1979–80 | r231.2 | — | r231.2 | 66.7 | 74.5 | 141.3 | r372.5 |
| 1980–81 | 248.7 | — | 248.7 | 77.8 | 82.7 | 160.5 | 409.3 |

*(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 | | |
| 1976–77 | 71.9 | 100.1 | 23.8 | 195.7 | 64.9 | 260.6 |
| 1977–78 | 70.4 | 110.6 | 26.5 | 207.6 | 51.6 | 259.2 |
| 1978–79 | 70.1 | 122.5 | 26.3 | 218.9 | 49.3 | 268.2 |
| 1979–80 | r60.5 | r100.9 | 22.1 | r183.6 | 56.7 | 240.2 |
| 1980–81 | 71.6 | 100.5 | 23.0 | 195.1 | 65.0 | 260.1 |

*(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 frcm the Bank against their holdings of certain government and 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 his 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 | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| All trading banks | 132.4 | 335.0 | 354.3 | 333.1 | 453.0 |
| Savings banks | 68.1 | 135.8 | 133.1 | 203.6 | 132.1 |
| Insurance offices | 53.3 | 68.4 | 74.7 | 75.5 | 56.9 |
| Superannuation, pension, and provident funds | 14.8 | 25.4 | 72.2 | 33.0 | 31.1 |
| Hire purchase and other instalment credit companies | 6.7 | 17.4 | 27.4 | 7.3 | 13.5 |
| Companies, n.e.i. | 309.7 | 364.8 | 314.6 | 322.0 | 285.3 |
| Commonwealth and State Governments | 43.2 | 150.6 | 212.2 | 130.6 | 136.3 |
| Local and semi-government authorities, n.e.c. | 121.3 | 175.8 | 207.6 | 168.1 | 156.8 |
| All other lenders (including marketing boards and trustee companies) | 47.2 | 92.1 | 108.2 | 102.5 | 101.8 |
| Total | 796.8 | 1,365.3 | 1,504.3 | 1,375.5 | 1,366.8 |

*(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 | |
| 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 |
| December 1979 | 2.50 | 18.15 | 5.00 | 12.11 | 8.56 |
| March 1980 | 3.00 | 18.70 | 4.60 | 12.00 | 9.25 |
| June 1980 | 1.00 | 18.80 | 5.50 | 13.00 | 10.34 |
| September 1980 | 1.00 | 18.85 | 4.80 | 14.50 | 9.81 |
| December 1980 | 1.00 | 18.20 | 2.00 | 12.60 | 9.43 |
| March 1981 | 1.00 | 18.20 | 5.10 | 13.25 | 11.11 |
| June 1981 | 5.00 | 21.76 | 11.75 | 15.00 | 13.04 |

*(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 | | |
| 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 |
| December 1979 *(d)* | 314.6 | 902.4 | 1,217.0 | 160.9 | 19.8 |
| March 1980 | 609.3 | 771.4 | 1,380.7 | 151.0 | 13.6 |
| June 1980 | 93.6 | 1,180.6 | 1,274.2 | 228.9 | 58.1 |
| September 1980 | 262.7 | 935.3 | 1,198.0 | 243.8 | 43.0 |
| December 1980 *(d)* | 945.3 | 634.8 | 1,580.1 | 157.2 | 15.8 |
| March 1981 | 788.2 | 765.0 | 1,553.2 | 181.6 | 12.8 |
| June 1981 | 581.9 | 813.1 | 1,395.0 | 257.9 | 25.2 |

*(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 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 | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|---|
| New companies registered (number) — | | | | | |
| Victorian | 14,122 | 10,645 | 11,131 | 12,017 | 18,370 |
| Other | 409 | 430 | 542 | 660 | 722 |
| Total | 14,531 | 11,075 | 11,673 | 12,677 | 19,092 |
| Number of companies struck off — | | | | | |
| Victorian | 2,334 | 2,602 | 2,699 | 2,869 | 2,537 |
| Other | 147 | 55 | 158 | 164 | 105 |
| Total | 2,481 | 2,657 | 2,857 | 3,033 | 2,642 |
| Approximate number of existing companies at end of June — | | | | | |
| Victorian ('000) | 97.9 | 106.2 | 114.4 | 123.5 | 140.0 |
| Other ('000) | 6.3 | 6.6 | 7.0 | 7.4 | 7.6 |
| Total | 104.2 | 112.8 | 121.4 | 130.9 | 147.6 |
| Nominal capital of new companies ($m) — | | | | | |
| Victorian | 242.3 | 370.5 | 377.4 | 822.9 | 1,843.4 |
| Other | 63.9 | 29.1 | 514.3 | 311.5 | 1,425.6 |
| Total | 306.2 | 399.6 | 891.7 | 1,134.4 | 3,269.0 |
| Increase in nominal capital of Victorian companies during the financial year ($m) | 775.0 | 1,175.8 | 1,169.5 | 2,112.9 | 3,942.0 |

**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. 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. The type of market has developed over the years from the "call room" style of trading to the present post trading method which was introduced in December 1961 and 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 and Rules were adopted to replace the former Rules and Regulations.

The Melbourne Exchange has a committee of 12 members elected by the membership. The chairman and vice-chairman are elected annually by the membership. The committee deliberates and formulates matters of domestic policy covering its members and the listed companies for which it acts as Home Exchange.

At 30 June 1981, membership of the Exchange totalled 215. The number of member firms at this date totalled 30.

### *New developments since 1976*

In December 1976, a Joint Committee consisting of 5 committee members from each of the Melbourne and Sydney Exchanges held its inaugural meeting. The Joint Committee adopted uniform rules covering accounts, audit, capital requirements, brokerage, client relations, membership, delivery and settlement, trading and dealing, and advertising, and meets monthly alternately in Sydney and Melbourne to administer these rules and determine policy within these rules for members of both Exchanges. The two Exchanges have also formed a jointly owned company, Joint Exchange Computers Pty Ltd, which is responsible for the present computer installations of the two Exchanges and has a mandate to introduce a joint installation so that computer services for the two Exchanges are identical.

The trading floors of the Melbourne and Sydney Exchanges are linked by a common public address system to allow company announcements to be made simultaneously to both floors. The Council of the Australian Associated Stock Exchanges (an association of the six capital city Exchanges in Australia) has recently resolved that this public address system be extended to all member Exchanges of the Australian Associated Stock Exchanges. Common Articles adopted by the Melbourne and Sydney Exchanges allow member firms of one Exchange direct access to the trading floor of the other Exchange for the purpose of buying and selling securities. At 30 June 1981, twelve Sydney member firms had applied for and been granted access to the floor of the Melbourne Exchange and eight Melbourne firms had applied for and been granted access to the Sydney Exchange trading floor.

### *List Requirements*

The Listing Manual of the Australian Associated Stock Exchanges prescribes the conditions under which company securities are granted and retain listing. The Listing Manual is uniform to all Exchanges in Australia. In order to provide for changing conditions, List Requirements are continually updated and expanded.

In July 1979, a complete revision of the Manual was published. This revision:

(1) Removed Listing Requirements duplicated by laws;

(2) standardised wording and improved layout; and

(3) showed additional information or action required beyond that required by the Companies Act.

Since July 1979, five amendment supplements to the Manual have been issued.

**Further reference: *Victorian Year Book* 1980, pp.493–4**

## *Stock market during 1980-81*

### *Australian Stock Exchange Indices*

The Australian Stock Exchange Indices, a new series of share price indices produced jointly by the Stock Exchanges of Melbourne and Sydney, were calculated for the first time on 2 January 1980. These Indices have replaced the original Sydney and Melbourne Share Price Indices. The new Indices are currently calculated from Melbourne and Sydney share prices, but data from other Exchanges can be incorporated when the necessary computer links are established.

The new series offers better coverage of the market, especially oil and gas stocks, property trusts, and those stocks that tend to trade exclusively in either Melbourne or Sydney.

The price indices are not adjusted for dividend accruals and payments but each price Index has a matching accumulation Index in which dividends are notionally re-invested on the ex-dividend date. These accumulation Indices provide standards against which the total performance (i.e., capital gains plus income) of a portfolio can be measured.

The base values of the price and accumulation index series, 500.0 and 1,000.0 at 1 January 1980, respectively, have been chosen to reduce confusion between the price and accumulation indices for each group.

### *Australian Share Price Indices*

The Australian All Ordinaries Indices, Group 30, Share Price and Accumulation (accum.) opened on 1 July 1980 at 635.6 (1,301.1 accum.) and dropped to record a low for the year of 626.1 (1,281.9 accum.) on 15 July 1980.

After a fairly mild month the Indices began a steady climb through to mid-November where a record 746.2 (1,552.8 accum.) was reached on 17 November 1980.

The months to February displayed a steady fall in the Group, only to rise again to close 30 June 1981 with 699.6 (1,489.6 accum.) representing an increase of 11 per cent (16 per cent accum.) for the financial period.

The 50 Leaders Indices, Group 31, followed a similar pattern to the All Ordinaries reaching its peak of 759.5 (1,576.7 accum.) on 17 November 1980 before falling to close the financial period at 660.5 (1,403.7 accum.) an increase of 4 per cent (8 per cent accum.) for the period.

Only 2 Indices displayed a loss for the 12 months to 30 June 1981: Group 1—Metals 8 per cent (10 per cent accum.) and Group 2—Solid Fuels 16 per cent (15 per cent accum.).

The greatest percentage increase was Group 10—Automotive from 540.3 (1,125.0 accum.) on 1 July 1980 to 881.3 (1,949.4 accum.) or increases of 63 per cent (73 per cent), respectively.

This was followed by Group 4—Developers and Contractors from 633.8 (1,297.2 accum.) to 979.5 (2,086.1 accum.) or 55 per cent (61 per cent accum.) and Group 18—Merchants and Agents from 584.6 (1,203.6 accum.) to 871.8 (1,909.5 accum.) or 49 per cent (59 per cent accum).

The Group with the highest aggregate market value at 30 June 1981 was Group 1—Metals, with $8,399m or 20 per cent of the All Ordinaries followed by Group 3—Oil and Gas with $4,291m or 10.3 per cent.

The 50 Leaders Index represented 65.3 per cent of the All Ordinaries Index with an aggregate market value of $27,212m.

*Australian Share Price Index*

*Largest group relative size*

The percentage of Aggregate Market Value in the All Ordinaries Index for the four largest groups at 30 June 1981 has moved as follows:

AUSTRALIA—AGGREGATE MARKET VALUE, ALL ORDINARIES INDEX, JUNE 1980 TO JUNE 1981
(per cent)

| Group | June 1980 | Sept. 1980 | Dec. 1980 | March 1981 | June 1981 |
|---|---|---|---|---|---|
| 50 Leaders | 68.5 | 69.8 | 69.2 | 65.7 | 65.3 |
| Metals | 24.6 | 26.9 | 24.1 | 20.7 | 20.0 |
| Oil and Gas | 8.8 | 9.0 | 9.9 | 10.7 | 10.3 |
| Banks and Finance | 6.1 | 5.6 | 5.6 | 6.3 | 7.6 |

*Market turnover*

*Turnover by value*

Total turnover by value for the 12 months to 30 June 1981 rose by 24 per cent when compared to the previous corresponding period, to a record $5,208m.

Turnover by value for both Industrial and Preference shares increased by 23 per cent to a record $1,973.3m and 5 per cent to $2.2m, respectively, when compared with the previous corresponding period.

In the Oil sector, turnover by value increased by 79 per cent to a record $793.3m with mining shares up 22 per cent to $1,423.5m compared with the previous year.

The only increase in value recorded in the Fixed Interest sector was produced by Semi-Government Loans with a 63 per cent rise to $79.3m for the year ended 30 June 1981.

Commonwealth Loans recorded a 1 per cent loss to $924.8m (1980, $925.6m) with Debentures and Notes down 12 per cent to $11.4m (1980, $12.9m).

*Turnover by volume*

Turnover by volume of 3,910.3 million for the year ended 30 June 1981 represented an increase of 23 per cent over the previous corresponding period. The greatest rate of increase was recorded in the Preference sector which increased 50 per cent to 3.6m when compared to 2.4 million for the previous year. This was followed by the Oil sector which increased 48 per cent from 464.4 million to 687.5 million for the 12 months. Turnover in the Industrial and Mining sectors increased 14 per cent to 820.0 million (1980, 719.4 million) and 34 per cent to 1,252.8 million (1980, 936.5 million), respectively.

Commonwealth Loans and Semi-Government Loans increased by 6 per cent to 1,047.9 million and 42 per cent to 85.4 million, respectively, when compared to the previous year.

Debentures and Notes was the only sector in which turnover by volume decreased when compared to the previous year with a fall of 8 per cent to 13.1 million (1980, 14.2 million).

*Transactions*

The total number of transactions in equity securities increased by 8 per cent to 825,291 for the year ended 30 June 1981 compared with 767,151 for the year ended 30 June 1980.

Activity in the Oil sector dominated the increase in equity securities, displaying an increase of 24 per cent. The Mining and Industrial sectors recorded increases over the previous year of 8 per cent and 1 per cent, respectively. Compared to the previous year, Semi-Government transactions increased 44 per cent whereas the number of transactions in Commonwealth Loans and Company Debentures and Notes fell 21 per cent and 31 per cent, respectively.

## 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

| Particulars | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---|---|---|---|---|
| Number of Societies | 53 | 53 | 52 | 51 |
| | $'000 | $'000 | $'000 | $'000 |
| INCOME AND EXPENDITURE | | | | |
| Income — | | | | |
| Interest from loans | 104,081 | 128,299 | 151,345 | 187,052 |
| Interest from deposits | 16,771 | 16,086 | 15,524 | 14,929 |
| Income from holdings of securities | 4,382 | 6,839 | 14,821 | 20,970 |
| Other income | 4,141 | 4,851 | 5,569 | 6,871 |
| Total | 129,375 | 156,075 | 187,259 | 229,822 |
| Expenditure — | | | | |
| Interest on shares | 24,602 | 28,596 | 38,037 | 45,426 |
| Interest on deposits | 71,619 | 86,312 | 101,226 | 123,984 |
| Interest on loans | 2,011 | 1,673 | 1,590 | 2,225 |
| Other expenditure | 22,896 | 29,758 | 38,155 | 47,366 |
| Total | 121,128 | 146,339 | 179,008 | 219,001 |
| LIABILITIES AND ASSETS *(a)* | | | | |
| Liabilities — | | | | |
| Share capital and reserves — | | | | |
| Non-withdrawable shares | 17,474 | 18,886 | 22,774 | 26,318 |
| Withdrawable shares | 267,830 | 337,725 | 444,118 | 514,918 |
| Statutory reserves | 5,802 | 7,736 | 8,183 | 9,672 |
| Other reserves *(b)* | 9,319 | 11,746 | 14,312 | 16,783 |
| Deposits | 827,549 | 973,733 | 1,222,901 | 1,497,151 |
| Loans | 21,150 | 22,759 | 21,588 | 28,374 |
| Other liabilities | 8,683 | 9,315 | 10,440 | 12,249 |
| Total | 1,157,807 | 1,381,900 | 1,744,316 | 2,105,465 |
| Assets — | | | | |
| Amount owing on loans | 904,345 | 1,113,424 | 1,371,054 | 1.644,039 |
| Cash on hand | 818 | 813 | 2,236 | 3,954 |
| Deposits with banks | 127,005 | 118,790 | 90,960 | 88,901 |
| Deposits with other institutions | 47,181 | 27,206 | 49,602 | 65,943 |
| Bills, bonds, and other securities | 52,680 | 90,350 | 190,538 | 245,543 |
| Accounts receivable | 4,982 | 3,740 | 3,937 | 5,279 |
| Physical and other assets | 20,796 | 27,577 | 35,989 | 51,806 |
| Total | 1,157,807 | 1,381,900 | 1,744,316 | 2,105,465 |

*(a)* At the balance dates of societies within the financial year shown.
*(b)* Includes accumulated surpluses and deficits.

### 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 1979, 617 guarantees were in force, the amount involved being $13,886,053; while in 1980, 642 guarantees were in force, and the amount involved was $15,597,373.

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 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Producer | 70 | 71 | 71 | 67 | 70 |
| Trading | 84 | 91 | 90 | 99 | 106 |
| Community settlement | 13 | 19 | 23 | 26 | 29 |
| Community advancement | 854 | 869 | 888 | 928 | 1,002 |
| Credit | 220 | 218 | 214 | 213 | 213 |
| Associations | 3 | 3 | 4 | 4 | 4 |
| Total | 1,244 | 1,271 | 1,290 | 1,337 | 1,424 |

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 261-2. 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.

One of the outcomes of the Review of Commonwealth Government Functions in 1980-81 was the discontinuation of the Australian Bureau of Statistics collection relating to the table below. The year 1978-79 was the last for which statistics were available. However, the Registrar of Co-operative Societies in Victoria collects similar data for the co-operatives societies registered under the *Co-operation Act* 1958.

VICTORIA—CO-OPERATIVE ORGANISATIONS: PRODUCER AND CONSUMER SOCIETIES

| Particulars | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 |
|---|---|---|---|---|---|
| Number of societies | 137 | 135 | 163 | 145 | 140 |
| Number of members | 174,860 | 178,150 | 183,858 | 188,026 | 183,779 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| | INCOME AND EXPENDITURE | | | | |
| Income— | | | | | |
| Sales | 300,105 | 274,304 | 270,359 | 289,175 | 331,914 |
| Other | 8,810 | 12,020 | 12,992 | 13,899 | 16,433 |
| Total | 308,915 | 286,324 | 283,351 | 303,074 | 348,347 |
| Expenditure— | | | | | |
| Purchases | 228,075 | 192,400 | 188,734 | 202,833 | 232,134 |
| Working expenses, etc. | 83,601 | 80,988 | 77,082 | 100,774 | 84,207 |
| Interest | 6,603 | 7,772 | 6,091 | 5,458 | 6,341 |
| Rebates and bonuses | 985 | 808 | 839 | 795 | 690 |
| Total | 319,264 | 281,968 | 272,747 | 309,860 | 323,372 |
| Dividend on share capital | 3,225 | 2,519 | 2,797 | 2,890 | 3,006 |

VICTORIA—CO-OPERATIVE ORGANISATIONS: PRODUCER AND CONSUMER SOCIETIES—*continued*

| Particulars | 1974–75 | 1975–76 | 1976–77 | 1977–78 | 1978–79 |
|---|---|---|---|---|---|
| LIABILITIES AND ASSETS | | | | | |
| Liabilities— | | | | | |
| Share capital | 35,610 | 35,270 | 37,648 | 36,875 | 37,080 |
| Loan capital | 30,789 | 35,076 | 31,898 | 30,835 | 42,491 |
| Bank overdraft | 39,199 | 34,650 | 30,976 | 28,436 | 35,302 |
| Profit and loss (Cr.) | 4,279 | 3,801 | 4,049 | 3,971 | 5,501 |
| Reserve funds | 36,995 | 39,104 | 37,683 | 40,526 | 47,408 |
| Sundry creditors | 46,024 | 43,954 | 30,910 | 35,095 | 46,717 |
| Other | 13,233 | 11,382 | 14,591 | 27,489 | 16,012 |
| Total | 206,128 | 203,238 | 187,755 | 203,228 | 230,511 |
| Assets— | | | | | |
| Land and buildings<br>Fittings, plant, and machinery | 88,758 | 92,941 | 84,340 | 85,463 | 93,383 |
| Stock | 38,882 | 36,235 | 29,216 | 46,041 | 42,007 |
| Sundry debtors | 55,645 | 53,172 | 50,662 | 50,331 | 65,735 |
| Cash in bank, on hand, or on deposit | 3,381 | 4,820 | 6,616 | 5,319 | 7,267 |
| Profit and loss (Dr.) | 5,649 | 5,471 | 3,609 | 1,654 | 3,795 |
| Other | 13,813 | 10,599 | 13,313 | 14,420 | 18,325 |
| Total | 206,128 | 203,238 | 187,755 | 203,228 | 230,511 |

## VICTORIA—CO-OPERATIVE ORGANISATIONS: CREDIT SOCIETIES

| Particulars | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---|---|---|---|---|---|
| Number of Societies | 205 | 205 | 205 | 199 | 193 |
| Number of members | 176,066 | 206,955 | 241,026 | 280,228 | 326,393 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| INCOME AND EXPENDITURE | | | | | |
| Income — | | | | | |
| Interest from loans | 14,165 | 21,031 | 29,019 | 40,142 | 56,843 |
| Interest from deposits | 1,100 | 1,298 | 1,758 | 3,759 | 5,383 |
| Other income | 365 | 941 | 1,485 | 1,676 | 2,640 |
| Total | 15,630 | 23,270 | 32,262 | 45,577 | 64,866 |
| Expenditure — | | | | | |
| Interest on deposits | 8,378 | 12,255 | 17,392 | 26,592 | 39,056 |
| Interest on loans | 320 | 497 | 686 | 617 | 1,052 |
| Wages and salaries | 3,552 | 4,715 | 6,121 | 7,664 | 9,551 |
| Other expenditure | 3,619 | 5,044 | 6,485 | 9,387 | 12,576 |
| Total | 15,869 | 22,511 | 30,684 | 44,260 | 62,235 |
| LIABILITIES AND ASSETS *(a)* | | | | | |
| Liabilities — | | | | | |
| Paid up share capital | 1,591 | 1,865 | 2,192 | 2,566 | 3,002 |
| Statutory reserves | 97 | 193 | 387 | 638 | 933 |
| Other reserves *(b)* | -776 | -91 | 1,240 | 2,690 | 4,797 |
| Deposits | 139,621 | 192,733 | 265,306 | 395,133 | 537,080 |
| Loans | 5,386 | 7,297 | 8,475 | 8,915 | 16,152 |
| Other liabilities | 1,431 | 1,246 | 1,683 | 2,143 | 3,001 |
| Total | 147,349 | 203,243 | 279,282 | 412,085 | 564,967 |
| Assets — | | | | | |
| Amount owing on loans *(c)* | 124,845 | 173,929 | 233,191 | 336,639 | 462,437 |
| Cash on hand | 391 | 519 | 687 | 1,266 | 1,639 |
| Deposits | 15,345 | 18,191 | 30,250 | 54,365 | 67,180 |
| Bills, bonds, and other securities | 1,817 | 4,013 | 7,093 | 6,700 | 12,738 |
| Physical and other assets | 4,952 | 6,591 | 8,062 | 13,115 | 20,973 |
| Total | 147,349 | 203,243 | 279,282 | 412,085 | 564,967 |

*(a)* At the balance dates of credit societies within the financial year shown.
*(b)* Includes accumulated surpluses and deficits.
*(c)* These figures are not of unearned interest and allowance for doubtful debts.

## 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 wholly mutual offices—with 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 share-capital companies 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 wholly mutual offices are Australian controlled and several share-capital offices are Australian-owned or controlled. However, many share-capital offices are owned by foreign insurance groups. The majority of life offices, particularly the major mutual offices, offer Australia-wide facilities. There are 45 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 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 association replaced the Life Offices Association of Australia and the Association of Independent Life Offices which ceased functioning.

### *Economic and social significance*

The economic and social significance of life insurance lies in the accumulation of a substantial pool of funds which represents protection for, and the savings of, millions of Australian policyholders. In June 1981, life offices held assets in Australia with a value estimated to be in excess of $15,500m. There were 7.4 million policies in force covering about 4.4 million persons for sums insured of more than $127,000m.

Life insurance is important to the community for a number of reasons. It provides an avenue for individuals to pool risks and thereby to reduce uncertainty by sharing the losses associated with premature death. This function of life insurance also relieves governments of certain social welfare responsibilities.

Life insurance is important also because the funds which are accumulated are the result of contractual savings programmes. This form of savings is significant because its inbuilt compulsive element provides both the public and private sectors of the economy with access to a predictable supply of long-term capital funds as well as enabling policyholders to participate in a wide range of investments.

### *Types of life insurance*

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. Over recent years, some life offices have developed policies which separate the life cover from the savings element. These are commonly known as "unbundled contracts". Under some contracts the entire premium may be devoted to the savings elements. Unbundled policies may be either "investment account" or "investment linked". 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 inexpensive, "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 yearly, 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 self-employed persons or their surviving dependants. Superannuation schemes conducted by life offices account for about one-third of total Australian superannuation business.

*Investment account policies.* The premium, after deduction of the cost of life cover and expenses, is paid into an investment account. After payment of tax, interest is credited to the account. The account is capital guaranteed.

*Investment-linked (or unit-linked) policies.* The benefits payable are expressed in units each representing a share in a portfolio of investments managed by a life office. Policies do not have a guaranteed value because the price of the units fluctuates as the market value of the underlying investments changes and as investment income accrues.

### *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 the widespread practice of placing policies on the Australian Capital Territory register, although the policyholder is not a resident of the A.C.T. Such policies are shown in the published statistics as A.C.T. business.

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

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

| Class of assets | At end of December— | | | | |
|---|---|---|---|---|---|
| | 1976 | 1977 | 1978 | 1979 | 1980 |
| Fixed assets— | | | | | |
| Property | 2,275.4 | 2,542.9 | 2,831.9 | 3,124.8 | 3,527.7 |
| Furniture | 24.7 | 30.3 | 30.5 | 39.2 | 42.0 |
| Total fixed assets | 2,300.1 | 2,573.2 | 2,862.4 | 3,164.0 | 3,569.7 |
| Loans (excluding advances of premiums)— | | | | | |
| On mortgage— | | | | | |
| Rural | 91.1 | 83.8 | 76.8 | 72.1 | 67.8 |
| Housing | 494.9 | 505.4 | 501.8 | 486.2 | 497.3 |
| Other | 717.8 | 708.7 | 679.3 | 673.6 | 692.1 |
| On policies | 277.4 | 292.0 | 297.0 | 301.5 | 320.0 |
| To controlled companies | 36.9 | 54.3 | 68.2 | 78.3 | 100.3 |
| To building or housing societies | 5.8 | 6.2 | 7.1 | 6.8 | 8.5 |
| Other | 22.9 | 24.9 | 41.6 | 49.3 | 83.3 |
| Total loans | 1,646.8 | 1,675.3 | 1,671.8 | 1,667.8 | 1,769.3 |
| Investments— | | | | | |
| Government securities | 2,283.6 | 2,507.8 | 2,706.9 | 2,887.3 | 3,096.8 |
| Local and semi-governmental securities | 873.5 | 995.5 | 1,121.1 | 1,199.3 | 1,342.6 |
| Debentures | 760.1 | 755.7 | 800.9 | 827.3 | 794.2 |
| Secured and unsecured notes | 156.4 | 164.5 | 165.9 | 169.8 | 224.2 |
| Preference shares | 81.9 | 69.9 | 69.0 | 70.1 | 68.4 |
| Ordinary shares | 1,629.6 | 1,831.5 | 2,075.0 | 2,496.8 | 3,221.4 |
| Holdings in controlled companies | 70.0 | 76.7 | 127.4 | 125.2 | 167.1 |
| Other | 3.4 | 85.6 | 86.1 | 94.2 | 178.2 |
| Total investments | 5,858.5 | 6,487.2 | 7,152.3 | 7,869.9 | 9,092.9 |
| Cash— | | | | | |
| On deposit— | | | | | |
| Banks | 12.8 | 0.4 | 0.4 | 0.2 | 5.6 |
| Other | 55.2 | 55.7 | 87.5 | 169.3 | 109.6 |
| On current account and in hand | 6.3 | 6.1 | 12.2 | 51.6 | 92.0 |
| Total cash | 74.3 | 62.2 | 100.1 | 221.1 | 207.2 |
| Total selected assets | 9,879.7 | 10,797.9 | 11,786.6 | 12,922.8 | 14,639.1 |

*(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. Figures include those for State Government insurance offices.

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*, below). The Life Insurance Commissioner, nevertheless, maintains a surveillance over the industry (see *Regulation of the industry*, page 485).

## *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 up 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, 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 was discontinued with the introduction of taxfree 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, but lowered to 33.07 cents in the 1979–80 Budget and to 32.0 cents in the 1980–81 Budget. The components of the concessional expenditure allowance remain unchanged, including $1,200 for life insurance premiums and superannuation contributions.

However, from 1980–81 the position is different for persons who are self-employed or who are employees not covered by employer sponsored superannuation arrangements. Such persons are entitled to deduct from their assessable income up to $1,200 per year in respect of contributions made by them to a qualifying superannuation fund. Any contributions in excess of the $1,200 can be included in rebatable expenditure items up to the existing limit of $1,200, giving these persons a total allowance of up to $2,400 in respect of life insurance 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, with some exceptions, 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 they voluntarily supply the statistics which the Act requires from the private offices.

### *Current problems*

Inflation has brought major problems for the life insurance industry. It has eroded the value of sums insured and it has increased operating costs. Continued pressure on policyholders' cash flows, the growth of superannuation and increasing attention to short-term investment avenues have led many policyholders to switch to cheaper term insurance (which contains no savings element). This has long-term implications for the industry's ability to accumulate and generate investment funds for both the public and private sectors of the economy.

### VICTORIA—LIFE INSURANCE: PREMIUM RECEIPTS AND POLICY PAYMENTS (INCLUDING ANNUITIES)
($m)

| Year | Premiums received (including single premiums) | Payments | | | |
|---|---|---|---|---|---|
| | | Claims | Surrenders | Annuities and cash bonuses | Total |
| 1975 | 399.2 | 129.7 | 108.9 | 5.3 | 243.9 |
| 1976 | 428.6 | 139.4 | 126.9 | 4.0 | 270.3 |
| 1977 | 450.7 | 157.9 | 149.6 | 4.3 | 311.8 |
| 1978 | 487.3 | 182.3 | 166.3 | 3.8 | 352.4 |
| 1979 | 511.8 | 189.5 | 215.6 | 4.1 | 409.2 |

## VICTORIA—LIFE INSURANCE: NEW POLICIES ISSUED (EXCLUDING ANNUITIES) *(a)*

| Particulars | | 1975 | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|---|
| Ordinary and industrial business — | | | | | | |
| Number of policies | | 141,519 | 134,221 | 125,857 | 127,953 | 121,374 |
| Sum insured | $m | 2,127.2 | 2,410.7 | 2,608.9 | 2,948.1 | 3,286.5 |
| Annual premiums | $m | 28.5 | 28.9 | 29.0 | 30.9 | 33.2 |
| Superannuation business — | | | | | | |
| Number of policies | | 19,016 | 22,039 | 22,045 | 18,778 | 15,799 |
| Sum insured | $m | 1,924.7 | 2,190.4 | 2,145.2 | 2,152.3 | 2,465.6 |
| Annual premiums | $m | 52.8 | 49.6 | 55.5 | 55.3 | 53.1 |
| All combined — | | | | | | |
| Number of policies | | 160,535 | 156,260 | 147,902 | 146,731 | 137,173 |
| Sum insured | $m | 4,051.9 | 4,601.1 | 4,754.1 | 5,100.4 | 5,752.1 |
| Annual premiums | $m | 81.3 | 78.5 | 84.5 | 86.2 | 86.3 |

*(a)* Industrial business has been combined with ordinary since October 1978.

Sums insured under new policies issued during 1979 averaged $27,077 for non-superannuation business.

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

| Cause of discontinuance | 1977 | | 1978 | | 1979 | |
|---|---|---|---|---|---|---|
| | Number of policies | Sum insured | Number of policies | Sum insured | Number of policies | Sum insured |
| | | ($m) | | ($m) | | ($m) |
| Ordinary and industrial business — | | | | | | |
| Death or disability | 9,139 | 26.5 | 8,958 | 29.5 | 8,604 | 31.0 |
| Maturity, expiry, etc | 59,310 | 155.4 | 55,695 | 187.8 | 54,807 | 228.0 |
| Surrender | 90,196 | 608.9 | 95,422 | 771.8 | 107,688 | 981.9 |
| Forfeiture | 26,044 | 344.2 | 28,790 | 448.4 | 30,070 | 503.0 |
| Other *(b)* | 6,903 | 24.5 | -8,695 | -169.9 | 16,164 | 277.2 |
| Total | 191,592 | 1,159.5 | 180,170 | 1,267.6 | 217,333 | 2,021.1 |
| Superannuation business — | | | | | | |
| Death or disability | 382 | 15.5 | 507 | 21.8 | 432 | 24.3 |
| Maturity, expiry, etc. | 1,295 | 77.6 | 1,698 | 138.4 | 1,466 | 111.9 |
| Surrender | 7,504 | 782.6 | 7,925 | 866.2 | 6,961 | 837.9 |
| Forfeiture | 1,279 | 30.7 | 1,197 | 30.8 | 1,362 | 40.6 |
| Other *(b)* | 3,793 | 126.1 | 2,637 | 335.4 | 15,586 | 309.9 |
| Total | 14,253 | 1,032.5 | 13,964 | 1,392.6 | 25,807 | 1,324.6 |
| All combined — | | | | | | |
| Death or disability | 9,521 | 42.0 | 9,465 | 51.3 | 9,036 | 55.3 |
| Maturity, expiry, etc. | 60,605 | 233.0 | 57,393 | 326.2 | 56,273 | 339.9 |
| Surrender | 97,700 | 1,391.5 | 103,347 | 1,638.0 | 114,649 | 1,819.8 |
| Forfeiture | 27,323 | 374.9 | 29,987 | 479.2 | 31,432 | 543.6 |
| Other *(b)* | 10,696 | 150.6 | -6,058 | 165.5 | 31,750 | 587.1 |
| Total | 205,845 | 2,192.0 | 194,134 | 2,660.2 | 243,140 | 3,345.7 |

*(a)* Industrial business has been combined with ordinary since October 1978.
*(b)* Includes net loss or gain resulting from transfers, cancellations of, and alterations to, policies, etc.

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

| Particulars | | 1975 | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|---|
| Ordinary and industrial business— | | | | | | |
| Number of policies | | 2,106,923 | 2,035,699 | 1,969,964 | 1,917,747 | 1,821,788 |
| Sum insured | $m | 11,120.6 | 12,203.2 | 13,652.6 | 15,333.1 | 16,598.5 |
| Annual premiums | $m | 219.6 | 226.2 | 232.9 | 239.6 | 242.2 |

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

| Particulars | | 1975 | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|---|
| Superannuation business— | | | | | | |
| Number of policies | | 111,876 | 120,434 | 128,226 | 133,040 | 123,032 |
| Sum insured | $m | 6,058.4 | 7,131.9 | 8,244.6 | 9,004.3 | 10,145.3 |
| Annual premiums | $m | 162.6 | 185.7 | 212.1 | 230.9 | 250.9 |
| All combined— | | | | | | |
| Number of policies | | 2,218,799 | 2,156,133 | 2,098,190 | 2,050,787 | 1,944,820 |
| Sum insured | $m | 17,179.0 | 19,335.1 | 21,897.2 | 24,337.4 | 26,743.8 |
| Annual premiums | $m | 382.2 | 411.9 | 445.0 | 470.5 | 493.1 |

*(a)* Industrial business has been combined with ordinary since October 1978.

The average size of the sum insured under a non-superannuation policy up to and including 1979 was $9,111.

## General insurance

### *Introduction*

The general insurance industry provides security for policy owners in the event of loss, and by its investments, holds readily convertible assets to cover unforeseen or unexpected claims. Insurance companies also invest capital into many large-scale projects. As the national body of the general insurance industry the Insurance Council of Australia Limited (ICA) promotes the role of the industry to governments and the community.

The ICA has two principal functions: it explains the interests of the general insurance industry in Australia and it provides a statistical, technical, and information service to the industry. The main areas in which the ICA represents the insurance industry include dealings with governments, other trade and business organisations, the media, and consumers. The ICA seeks to provide effective representation for its members to these groups.

For some time, the ICA has been concerned with disaster mitigation and alleviating the trauma experienced by victims of natural disasters. Consequently, the ICA in association with the Chartered Institute of Loss Adjusters and the Council of Loss Adjusters, representing the loss adjusting professions, has established the Insurance Emergency Service (IES).

The IES is intended to speed up the processing of insurance claims in the event of a major disaster. The agreement provides for the pooling of administrative and technical resources by the members of the IES to enable claims to be assessed and paid promptly. The service operates in liaison with governments who have recognised its work following a catastrophe.

The general insurance industry in Victoria comprises: property and liability insurance companies (of which most are members of the ICA), representatives of Lloyds insurance brokers, Victorian Government insurance offices, local representatives of overseas reinsurance companies, and independent private brokers.

The insurance industry contributes to the stability of commercial activity in the community by providing protection for a wide range of risks. Some examples of the policies available are listed below:

VICTORIA—TYPES OF GENERAL INSURANCE POLICIES

| Type of policy | Type of policy | Type of policy |
|---|---|---|
| Aviation hull | Employers liability (including workers compensation) | Leisurecraft |
| Baggage | Fidelity guarantee | Livestock |
| Boiler explosion | Fire | Marine hull |
| Burglary | Houseowners and householders | Personal accident |
| Business interruption | Industrial special risk | Plate glass |
| Cargo in transit | | Pluvius |
| Cash in transit | | Public liability |
| Credit insurance | | Travel |
| Crop (fire and hail) | | Wool (sheep's back to store) |

Workers compensation cover and motor vehicle third party insurance are compulsory by law in all States.

### *Statistics*

The following tables show premiums and claims relating to general insurance business undertaken by authorised insurers and government instrumentalities in Victoria for the years 1977-78, 1978-79, and 1979-80. These statistics are not directly comparable with those published previously, including those for 1977-78. Details relating to stamp duty, fire service charges, management expenses, and investment income were not collected as part of this collection for 1978-79 and 1979-80.

In many instances brokers have no knowledge of claims made by the insured on overseas insurers in respect of business placed through them. Because of this, no details of claims were collected from brokers for 1978-79 and 1979-80. Data for 1977-78 have been adjusted to exclude details of claims for brokers for that year. For 1978-79 and 1979-80, premium details for brokers have been collected on an Australia-wide basis, although previously details were collected on a State basis. Accordingly, the data series on premiums by State for 1977-78 have been adjusted to exclude details for brokers.

In general, business is classified to the State where the policy is recorded and may not necessarily indicate the State of location of the risk. Due to the centralised record keeping of brokers (usually in the major capital cities) it is considered inappropriate to classify their business by State.

Premiums comprise the full amount receivable in respect of direct insurance and facultative reinsurance business written or renewed within Australia (including business placed overseas by Australian brokers) during the year less outward facultative reinsurance within Australia, stamp duty and fire service charges paid, and returns, rebates, and bonuses paid or credited to policy holders. Premiums are not adjusted to provide for premiums unearned at the end of the year and consequently the amounts differ from *earned premium income* appropriate to the year.

Claims comprise, for direct insurance and facultative reinsurance business, payments made during the year, plus the estimated amount of outstanding claims at the end of the year, less the estimated amount of outstanding claims at the beginning of the year. Salvage and other amounts recoverable, including outward facultative reinsurance claims recovered or recoverable, have been deducted.

VICTORIA—PREMIUMS ON AUSTRALIAN RISKS UNDERWRITTEN *(a)*
($'000)

| Class of business | 1977-78 | 1978-79 | 1979-80 |
|---|---|---|---|
| Fire (including sprinkler leakage) | 78,073 | 71,469 | 67,607 |
| Loss of profits | 14,023 | 9,321 | 9,150 |
| Crop (including hailstone) | 2,288 | 3,935 | 5,074 |
| Houseowners and householders | 71,513 | 76,331 | 87,274 |
| Contractors risks | 4,692 | 5,125 | 4,924 |
| Marine hull— | | | |
| Private pleasure craft | 4,345 | 4,320 | 3,596 |
| Other | 1,689 | 2,676 | 3,405 |
| Marine cargo | 22,682 | 21,828 | 24,754 |
| Aviation hull, cargo | 1,851 | 1,832 | 2,001 |
| Motor vehicle (including motor cycles) | 215,725 | 227,088 | 219,683 |
| Compulsory third party (motor vehicles) | 186,950 | 189,474 | 194,955 |
| Employers liability | 324,867 | 250,216 | 247,212 |
| Public liability | 19,828 | 19,492 | 20,560 |
| Product liability | 1,078 | 1,578 | 1,763 |
| Professional indemnity | 3,530 | 3,319 | 5,370 |
| Loan, mortgage and lease | 6,761 | 8,219 | 14,996 |
| Burglary | 8,722 | 8,947 | 8,779 |
| All risks, baggage | 7,826 | 9,803 | 11,007 |
| Boiler, engineering, machinery breakdown | 4,538 | 5,244 | 5,633 |
| Plate glass | 2,700 | 2,927 | 3,101 |
| Guarantee | 1,437 | 1,837 | 1,533 |
| Livestock | 948 | 971 | 1,269 |
| Personal accident | 19,753 | 20,595 | 21,671 |
| Other | 21,162 | 20,561 | 23,994 |
| Total | 1,026,981 | 967,108 | 989,311 |

*(a)* Excludes brokers.

VICTORIA—CLAIMS ON AUSTRALIAN RISKS UNDERWRITTEN *(a)*
($'000)

| Class of business | 1977-78 | 1978-79 | 1979-80 |
|---|---|---|---|
| Fire (including sprinkler leakage) | 26,490 | 43,195 | 54,099 |
| Loss of profits | 2,520 | 3,931 | 6,189 |
| Crop (including hailstone) | 2,070 | 2,673 | 1,712 |
| Houseowners and householders | 41,122 | 54,760 | 64,377 |
| Contractors risks | 2,686 | 2,986 | 3,786 |
| Marine hull— | | | |
| Private pleasure craft | 2,384 | 3,086 | 3,048 |
| Other | 1,323 | 2,029 | 2,547 |
| Marine cargo | 12,105 | 12,760 | 16,175 |
| Aviation hull, cargo | 1,151 | 1,238 | 1,883 |
| Motor vehicle (including motor cycles) | 129,423 | 159,183 | 168,364 |
| Compulsory third party (motor vehicles) | 211,215 | 222,638 | 235,420 |
| Employers liability | 197,246 | 180,287 | 210,928 |
| Public liability | 13,551 | 10,926 | 15,324 |
| Product liability | 1,165 | 2,367 | 801 |
| Professional indemnity | 2,014 | 2,265 | 4,934 |
| Loan, mortgage and lease | 5,097 | 2,750 | 5,533 |
| Burglary | 4,657 | 5,667 | 7,329 |
| All risks, baggage | 5,017 | 6,507 | 7,978 |
| Boiler, engineering, machinery breakdown | 2,184 | 2,776 | 2,826 |
| Plate glass | 1,910 | 2,176 | 2,326 |
| Guarantee | 55 | 585 | 726 |
| Livestock | 1,408 | 991 | 1,022 |
| Personal accident | 8,506 | 10,468 | 11,943 |
| Other | 8,380 | 6,908 | 9,740 |
| Total | 683,679 | 743,152 | 839,010 |

*(a)* Excludes brokers.

## 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, 1979-80

| Class of motor vehicle | Motor cars usually garaged— | | Total |
|---|---|---|---|
| | Within a radius of 32.187 kilometres of the G.P.O., Melbourne | Outside a radius of 32.187 kilometres of the G.P.O., Melbourne | |
| Private and business | 998,955 | 615,038 | 1,613,993 |
| Goods carrying | 119,210 | 182,279 | 301,489 |
| Hire | 4,210 | 3,620 | 7,830 |
| Hire and drive yourself | 2,253 | 707 | 2,960 |
| Passenger transport | 1,571 | 1,438 | 3,009 |
| Miscellaneous | 10,516 | 57,336 | 67,852 |
| Motor cycle | 23,870 | 30,462 | 54,332 |
| Recreation vehicles | 613 | 710 | 1,323 |
| Total | 1,161,198 | 891,590 | 2,052,788 |

## State Insurance Office

The State Insurance Office was established on 1 July 1975, under an Act of the Victorian Parliament which brought together the functions and staff of the State Accident Insurance Office and the State Motor Car Insurance Office. The State Insurance Office is controlled and managed by the Insurance Commissioner.

The State Insurance Office transacts employers liability, motor vehicle, and compulsory third party insurance. Other responsibilities of the Insurance Commissioner relate to the

Workers Compensation Supplementation Fund, the Insurers Guarantee and Compensation Supplementation Fund, uninsured employers, nominal defendant in the motor car and employers liability jurisdiction, casual firefighters, jurors, civil defence volunteers, education volunteer workers, and the Standard Insurance Act.

The transactions of the State Insurance Office from 1976-77 to 1980-81 are shown in the following table:

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

| Particulars | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|---|
| Gross premium | 230,421 | 275,877 | 240,887 | 281,723 | 309,128 |
| Net earned premium | 178,065 | 259,497 | 261,548 | 279,492 | 292,544 |
| Investment income | 29,485 | 46,847 | 64,938 | 85,250 | 103,565 |
| Net claims | 178,991 | 229,946 | 273,894 | 328,689 | 363,877 |
| Expenses and commission | 9,025 | 14,723 | 18,914 | 15,711 | 17,396 |
| Underwriting profit (loss) | -9,952 | 14,828 | -31,260 | -64,908 | -88,728 |
| Net profit (loss) | 19,534 | 61,675 | 33,678 | 20,342 | 14,836 |
| Underwriting reserves | 351,237 | 603,842 | 721,915 | 935,518 | 1,014,348 |
| Other reserves | -18,004 | 28,671 | 46,422 | 52,471 | 53,364 |

## 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 | 1976-77 | 1977-78 | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|---|
| Proceeds of realisations, rents, interest, etc. | 37,484 | 41,094 | 45,655 | 54,010 | 62,296 |
| Investments, distributions, claims, etc. | 30,453 | 34,467 | 33,889 | 41,995 | 49,801 |
| Cash variation | 7,031 | 6,627 | 11,766 | 12,015 | 12,495 |
| Balance at 1 July | 50,014 | 57,045 | 63,672 | 75,438 | 87,453 |
| Balance at 30 June | 57,045 | 63,672 | 75,438 | 87,453 | 99,948 |

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 |
|---|---|---|
| 1976-77 | 1,338 | 3,278 |
| 1977-78 | 1,296 | 2,780 |
| 1978-79 | 1,194 | 2,851 |
| 1979-80 | 1,108 | 2,783 |
| 1980-81 | 1,115 | 2,458 |

**Statutory trustee companies**

The concept of a company acting as executor of a person's will first developed in 1834 in South Africa, because of difficulties of securing persons of integrity and ability to administer estates. Outside that country, the first trustee company in the common law world was formed in Victoria in 1878. There are now eight companies authorised to operate in Victoria, most having been incorporated for more than 90 years.

Statutes of Victorian Parliament were enacted at the formation of each company to authorise the Courts to grant Probate or Letters of Administration to a corporation, to limit them to fiduciary business as executor and trustee and as agent for individuals, and to limit the number of shares an individual could own in any one of the companies. These enabling Acts were consolidated into one statute of the Victorian Parliament in 1928 — the Trustee Companies Act.

As a protection for the proper administration of trust funds, all companies have funds lodged as security with the Victorian Treasury; there is a statutory reserve liability attached to the share capital; and company assets and reserves are, by law, liable as additional protection.

After a review by the Victorian Parliament of the services appropriate for the community, the controlling legislation was amended during the 1950s to remove the original limitations on business activities. That legislation also authorised the establishment of Common Funds to permit the blending of trust funds into a common investment pool by the trustee companies. Changes to the Companies Act in that period specifically authorised the statutory trustee companies to act as trustee for the holders of debentures and notes on issue to the public. This brought a diversification of commercial trust business to the hitherto restricted trust operations of the companies.

Investment responsibilities of trustees increased further in 1979 when the Victorian Trustee Act was amended to widen statutory trustee investments with an additional range of fixed-interest investments, including the trustee companies' Common Funds, and to authorise investment of up to one-third of the value of an estate in the purchase of real estate.

The statutory trustee companies now offer a complete range of fiduciary services for persons during their lifetime, in addition to traditionally acting as executor and trustee of wills. These personalised services include asset and investment management and supervision, accounting and taxation services, retirement planning, purchase or sale of real estate as licensed estate agents, pastoral and property management, nominee services, money market activities, trusteeship for family trusts, charitable trusts and foundations, superannuation and pension funds, and will and estate planning.

Recent growth in trust funds under management is shown in the following table:

VICTORIA—STATUTORY TRUSTEE COMPANIES: TRUST FUNDS ADMINISTERED AT 30 JUNE
($m)

| Particulars | 1977 | 1978 | 1979 | 1980 | 1981 |
|---|---|---|---|---|---|
| Stock and debentures | 148.4 | 118.3 | 102.4 | 97.7 | 93.1 |
| Advances on mortgages | 147.8 | 158.9 | 179.5 | 204.5 | 259.2 |
| Real estate, farms, etc. | 145.7 | 154.4 | 157.5 | 142.8 | 181.5 |
| Shares | 203.6 | 207.9 | 246.5 | 296.6 | 379.9 |
| Deposits, cash, etc. | 74.9 | 87.2 | 104.6 | 102.4 | 126.0 |
| Other | 40.7 | 28.9 | 33.3 | 38.8 | 30.8 |
| Total | 761.1 | 755.6 | 823.8 | 882.8 | 1,070.5 |

The values shown in the preceding table are probate values or values of assets at the time the assets came under control of the trustee companies. In addition to those trust funds, the companies were responsible as trustees for debenture and note holders of issues in excess of $3,000m.

**Further references: *Victorian Year Book* 1964, pp. 758–60; 1980, pp. 506–7**

## 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 |
|---|---|---|---|---|
| 1976 | 58,808 | 784 | 292 | 59,884 |
| 1977 | 66,100 | 842 | 228 | 67,170 |
| 1978 | 56,084 | 1,063 | 369 | 57,516 |
| 1979 | 54,628 | 810 | 328 | 55,766 |
| 1980 | 43,710 | 1,131 | 257 | 45,098 |

### *Land transfers, mortgages, etc.*

Two summaries of dealings lodged at the Titles Office under the Transfers of Land and Property Law Acts are shown in the following tables for the years 1976–77 to 1980–81:

VICTORIA—NUMBER OF DEALINGS LODGED AT THE TITLES OFFICE: TRANSFER OF LAND ACT

| Year | Transfers | Mortgages (a) | Entries of executor, adminis-trator, or survivor | Plans of sub-division | Caveats | Other dealings | Total dealings |
|---|---|---|---|---|---|---|---|
| 1976–77 | 156,611 | 127,575 | 17,546 | 7,789 | 34,525 | r136,344 | r480,390 |
| 1977–78 | 134,459 | 123,028 | 17,801 | 7,194 | 41,975 | 127,719 | r452,176 |
| 1978–79 | 127,314 | 124,360 | 18,541 | 6,795 | 35,876 | r138,262 | 451,148 |
| 1979–80 | 137,123 | 126,774 | 17,781 | 6,378 | 37,943 | 144,786 | 470,785 |
| 1980–81 | 143,580 | 126,934 | 17,176 | 6,171 | 39,340 | 149,493 | 482,694 |

(a) Statistics on mortgages are no longer directly comparable to previously published figures. The number of mortgages now include those previously excluded; principally to trading banks to secure overdrafts on current accounts. Value of mortgages on this basis is not available.

VICTORIA—DEALINGS UNDER THE PROPERTY LAW ACT

| Year | Number of mortgages (a) | Reconveyances | | Conveyances | |
|---|---|---|---|---|---|
| | | Number | Amount (b) | Number | Amount |
| | | | $'000 | | $'000 |
| 1976–77 | 2,362 | 2,025 | 14,340 | 3,798 | 96,148 |
| 1977–78 | 2,355 | 1,976 | 10,037 | 3,877 | 91,794 |
| 1978–79 | 2,145 | 1,981 | (c) | 3,384 | (c) |
| 1979–80 | 2,521 | 2,075 | (c) | 3,387 | (c) |
| 1980–81 | 2,551 | 2,247 | (c) | 3,640 | (c) |

(a) Statistics on mortgages are no longer directly comparable to previously published figures. The number of mortgages now include those previously excluded; principally to trading banks to secure overdrafts on current account. Value of mortgages on this basis is not available.

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

(c) These figures are no longer available.

### *Mortgages of real estate*

Details of some 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. They do not include certain mortgages (principally to trading banks to secure overdrafts on current accounts) as only the number of such mortgages, and not the amounts involved, are available. Particulars of mortgages not lodged for registration are not available.

The year 1977-78 is the last for which these statistics will be available as the collection was discontinued following the Review of Commonwealth Government Functions in 1980-81.

## 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 1976 to 1980 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 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Stock mortgages— | | | | | |
| Number | 344 | 268 | 298 | 404 | 496 |
| Amount ($'000) | 1,215 | 602 | *(a)* | *(a)* | *(a)* |
| Liens on wool— | | | | | |
| Number | 11 | 15 | 10 | 4 | 10 |
| Amount ($'000) | 75 | 43 | *(a)* | *(a)* | *(a)* |
| Liens on crops— | | | | | |
| Number | 120 | 131 | 204 | 82 | 71 |
| Amount ($'000) | 602 | 1,011 | *(a)* | *(a)* | *(a)* |
| Total— | | | | | |
| Number | 475 | 414 | 512 | 490 | 577 |
| Amount ($'000) | 1,892 | 1,656 | *(a)* | *(a)* | *(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 1976 to 1980:

## VICTORIA—BILLS OF SALE

| Security | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Bills of sale— | | | | | |
| Number | 29,127 | 29,729 | 28,845 | 34,675 | 37,195 |
| Amount ($'000) | 95,211 | 115,714 | *(a)* | *(a)* | *(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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Major trading bank statistics (monthly) (5603.0)
Banking (monthly) (5605.0)
Housing finance for owner occupation, savings banks and trading banks (monthly) (5608.0)
Housing finance for owner occupation (monthly) (5609.0)
Housing finance for owner occupation, permanent building societies (monthly) (5610.0)
Finance companies, Australia (monthly) (5614.0)
Finance companies (annual) (5616.0)
Financial corporations statistics (monthly) (5617.0)
Credit unions: assets, liabilities, income, and expenditure (5618.0)
General insurance (5620.0)
Life insurance (monthly) (5621.0)
Life insurance (annual) (5622.0)
Instalment credit for retail sales (monthly) (5631.0)
Permanent building societies (annual) (5632.0)
Terminating building societies (annual) (5633.0)