

CHAPTER 20

PRIVATE FINANCE

Further information on the subjects dealt with in this chapter is contained in the annual bulletins *Banking and Currency and Insurance and Other Private Finance*. Current information is contained in the *Quarterly Summary of Australian Statistics*, the *Monthly Review of Business Statistics*, the *Digest of Current Economic Statistics* (monthly), and the monthly mimeographed statements *Banking Statistics* (bulletin and preliminary statement), *Savings Bank Statistics* (bulletin and preliminary statement), *Australian Life Insurance Statistics*, and *Finance Companies: Australia*. The annual mimeographed bulletin *Australian Fire, Marine and General Insurance Statistics* contains the latest information available on the subject of general insurance. Other relevant mimeographed statements are: *Finance Companies: July 1964 to October 1965*; *Instalment Credit for Retail Sales*; *Unit Trusts, Land Trusts, and Mutual Funds*; *New Capital Raisings by Companies in Australia*; and *Capital and Maintenance Expenditure by Private Business in Australia*—quarterly; *Government Pension and Superannuation Schemes, 1963–64*; *Survey of Private Pension and Retiring Allowance Schemes, 1962–63*; *Survey of Selected Large Private Pension Funds, 1964–65*, and *Registered Building Societies, 1963–64*. Preliminary monthly statements *Instalment Credit for Retail Sales* and preliminary estimates of New Capital Raisings are issued also.

CURRENCY

Pre-decimal currency

Until 13 February 1966 Australian currency was based on the British unit, which is the pound (£) divided into 20 shillings (s.) each of 12 pence (d.). When the Australian currency was introduced in 1909 the Australian pound was specified as equivalent to 123.27447 grains of gold $\frac{11}{12}$ ths fine or 113 002 grains of fine gold and, until the depression in 1930, was identical with the pound sterling. There was a gradual depreciation of the Australian pound in terms of sterling from the beginning of 1930 until 3 December 1931 when it was stabilized at the rate of £125 Australian = £100 sterling. This relationship has been maintained until the present time. Following the depreciation no action was taken to define the value of the Australian pound in terms of gold until 5 August 1947 when the Australian Government advised the International Monetary Fund, in terms of the membership agreement, that the par value of the Australian pound was 2.86507 grams (44.2148 grains) of fine gold. From 18 September 1949 this was reduced to 1.99062 grams (30.720 grains) of fine gold. It remained unchanged until the introduction of decimal currency (see below).

When the Commonwealth was established in 1901, the currency in Australia consisted of United Kingdom gold, silver and bronze coins, notes issued by the banks, and Queensland Treasury notes. Queensland Treasury notes were in circulation in Queensland only, having superseded bank notes in that State after the 1893 crisis. Under the Commonwealth Constitution the control of currency, coinage and legal tender and the issue of paper money was vested in the Commonwealth. The Commonwealth assumed these powers by enacting the *Coinage Act* 1909 and the *Australian Notes Act* 1910.

Decimal currency

Decimal currency was introduced into Australia on 14 February 1966. The new system is based on a major unit—the dollar—equal to ten shillings in the old currency. The minor unit—the cent—is one hundredth part of the major unit and is equal to 1.2 pence. The par value of the Australian dollar, under the terms of the International Monetary Fund, was established at 0.99531 grams of fine gold.

The official changeover arrangements provide for a dual currency and for a transition period of eighteen months to two years following the changeover. In broad terms, the main features of the transition period are that (i) banking business will be conducted entirely in decimal currency, (ii) monetary machines will be progressively converted to \$ c operation, (iii) some businesses will operate in £ s. d. while others will operate in decimal currency, and (iv) £ s. d. and \$ c notes and coins will be interchangeable.

Legislation

Commonwealth. The *Currency Act* 1963 provided for (i) the introduction of a decimal currency system, (ii) established the dollar as the new monetary unit, (iii) established its relationship to the system of pounds, shillings and pence, (iv) settled the denominations and composition of the new decimal coins, (v) furnished the Treasurer with certain powers to effect the transition to the decimal currency system, and (vi) gave statutory effect to the appointment of the Decimal Currency Board. The Act made no provision for the transition period.

During 1965 the following legislation was enacted by the Commonwealth Parliament: the *Decimal Currency Board Act* 1965 (No. 94 of 1965); the *Currency Act* 1965 (No. 95 of 1965); the *Reserve Bank Act* 1965 (No. 96 of 1965); and a number of miscellaneous amending Acts. The sections of the *Currency Act* 1963 dealing with the Decimal Currency Board were renamed as the *Decimal Currency Board Act* 1965. The other provisions of the *Currency Act* 1963 were repealed by the *Decimal Currency Board Act* 1965, and were re-enacted, with amendment, as the *Currency Act* 1965. The *Currency Act* 1965 re-enacted the repealed parts of the *Currency Act* 1963, with some amendments, repealed the *Coinage Act* 1909-1947 and provided for the circumstances of the dual-currency transition period following the changeover. The *Reserve Bank Act* 1965 amended the *Reserve Bank Act* 1959 (the Principal Act) by providing for the denominations and specifications of the new dollar notes, and that the existing and the new notes will be legal tender for amounts of £ s.d. or \$ c. A number of money references in other Commonwealth laws needed specific amendment—that is, where the exact conversion provided for by the *Currency Act* 1965, in the 'blanket provision' of section 10, would not be appropriate. About thirty Acts required revision in this way (see pages 70-5).

State. While the 'blanket provision' referred to above provides that a reference to an amount of £ s.d. in a law of the Commonwealth will be construed after the changeover as a reference to the exact \$ c equivalent, this provision does not extend to State Acts. Each State has therefore passed legislation substituting amounts of \$ c for amounts of £ s.d. in State Acts.

Relationship between £ s.d. and \$ c

The relationship between the £ s.d. and decimal currency systems is established by the *Currency Act* 1965. The relationship is:

$$£1 = \$2 \quad 1s. = 10 \text{ cents} \quad 1d. = 5/6 \text{ cent}$$

This provides the basis for conversion of amounts from one currency to the other. Problems in conversion arise, however, because there is a difference in value between the minor units (the penny and the cent) in the two systems, and because, for certain purposes, it is not practicable to use fractions of a cent or of a penny. To meet these problems, the *Currency Act* 1965 includes a table showing the whole-cent conversion of each pence amount up to and including elevenpence. The following table shows both exact and whole-cent conversions of pence amounts.

Pence	Exact cents	Whole cents	Difference in cents	
			+	-
1	$\frac{5}{8}$	1	$\frac{1}{8}$	
2	$1\frac{1}{4}$	2	$\frac{1}{4}$	
3	$2\frac{1}{2}$	2		$\frac{1}{2}$
4	$3\frac{1}{2}$	3		$\frac{1}{2}$
5	$4\frac{1}{2}$	4		$\frac{1}{2}$
6	5	5	..	..
7	$5\frac{5}{8}$	6	$\frac{1}{8}$	
8	$6\frac{1}{2}$	7	$\frac{1}{2}$	
9	$7\frac{1}{2}$	8	$\frac{1}{2}$	
10	$8\frac{1}{2}$	8		$\frac{1}{2}$
11	$9\frac{1}{2}$	9		$\frac{1}{2}$
12	10	10	..	..
Total differences			$1\frac{1}{2}$	$1\frac{1}{2}$

The use of the whole-cent conversion is prescribed in the following circumstances:

- where an amount of £ s.d. is payable before the changeover, but is paid after that day in \$ c;
- where, after the changeover, an amount of £ s.d. is paid by cheque or other bill of exchange or promissory note (which must be in terms of \$ c);

- (c) where an amount of £ s.d. is payable before the close of the transition period, but is paid after that period—in \$ c; and
- (d) where an amount of £ s.d. is payable periodically under a contract, agreement, etc. (e.g., life assurance premiums, hire purchase payments, rent, etc.).

An exact conversion is prescribed for amounts of £ s.d. appearing in laws of the Commonwealth, contracts, agreements and legal documents generally—except that periodical payments in contracts, etc., will be converted on a whole-cent basis. Where the law does not prescribe the conversion to be used, the circumstances of the case will indicate the appropriate conversion. Generally, an exact conversion is appropriate for unit rates, and a whole-cent conversion for final balances. The manner in which prices expressed in £ s.d. will be fixed in \$ c is not covered by the Commonwealth currency law.

Conversion tables

For the guidance of those having to convert amounts from one currency to the other, the Decimal Currency Board issued five conversion tables.

An EXACT EQUIVALENTS table—which converts amounts of £ s.d. to their equivalents in \$ c.

A BANKING AND ACCOUNTING table—showing the conversion of amounts of £ s.d. in whole pence on a whole-cent basis.

A COMPREHENSIVE CONVERSION table—showing the conversion of amounts of £ s.d. ending in halfpence on a whole-cent basis.

A CONVERSION TABLE: \$ c TO £ s.d.: FOR USE WITH PRICE-COMPUTING INSTRUMENTS—showing the conversion of amounts of \$ c in whole cents on a nearest-penny basis.

A CONVERSION TABLE: \$ c TO £ s.d.: FOR USE WITH PRICE-COMPUTING INSTRUMENTS—showing the conversion of amounts of \$ c in whole cents on a nearest-halfpenny basis.

These tables are reproduced at the beginning of this volume.

Commonwealth assistance

In accordance with the Government's original decision, assistance is being made available to owners of a large proportion of those monetary machines requiring conversion or adaptation for decimal currency operation. Principal machines which qualify are: cash registers, adding machines, accounting machines, punched card tabulators and electronic computers, price-computing scales and fabric measuring machines, electric petrol pump computers, postal franking machines, taximeters, and cheque-writing machines. For some machines the assistance takes the form of a payment of cash compensation to the machine owner; for others it takes the form of conversion to \$ c operation, or replacement with an equivalent decimal machine in certain cases where replacement would cost no more than conversion, as part of a programme planned and supervised by the Decimal Currency Board.

The conversion or replacement of eligible cash registers, adding machines and accounting machines—totalling approximately 250,000—presents the biggest single task in the Government's assistance programme. It will be carried out, on a regional zone basis, over a period of 100 weeks from the end of January 1966. For this latter programme each State has been separated into three broad areas, city, suburban and country. Conversion is to proceed simultaneously in each State and in zones within each of these areas.

Changeover date

On Monday, 14 February 1966 (C-day), all Australian banks commenced operating in \$ c. They had operated in £ s.d. until the close of business on Wednesday, 9 February. During the intervening four days, in which they completed their conversion arrangements, they were not open for normal business. Apart from banks, all other organizations, businesses and institutions were left free to convert their financial operations to a \$ c basis at any convenient time during the transition period; for most business concerns this would be when their machines were converted or replaced. However, a considerable number of organizations commenced operating in decimal currency, with the banks, on changeover day, having made their own changeover arrangements independently of the official programme for the conversion of business machines. These organizations included all Commonwealth and State Government Departments, all railways and government bus and tram services, and many private firms, particularly larger ones.

Transition period

Decimal currency became the official currency on 14 February 1966, and decimal notes and coins became legal tender from that time. From that day onwards all cheques and other bills of exchange, and all promissory notes, have to be executed in dollars and cents. During the transition period, however, contracts and other monetary transactions may be arranged in terms of either £ s.d. or \$ c. The amounts owing under such contracts and transactions must be settled in terms of \$ c if payment is made by cheque. Where payments are made by cash the following arrangements apply:

\$1 note interchangeable with 10s. note;

\$2 note interchangeable with £1 note;

\$10 note interchangeable with £5 note;

\$20 note interchangeable with £10 note;

50-cent coin will be used as a 5s. coin;

20-cent coin interchangeable with florin;

10-cent coin interchangeable with shilling;

5-cent coin interchangeable with sixpence;

2- and 1-cent coins in lots of the value of 5c (= 6d.) will pay amounts of sixpence;

Threepences, pennies and halfpennies in lots of the value of 6d. (= 5c) will pay amounts of 5 cents.

After the end of the transition period (which will be fixed by Proclamation) all references to £ s.d. in contracts, agreements, etc. with continuing effect will be converted automatically into their exact equivalents in decimal currency. Payments of amounts owing in terms of £ s.d. will be made in \$ c on a nearest-cent basis according to the conversion table shown in the Currency Act. After the end of the transition period contracts and other documents will have to be made out in terms of \$ c, and threepences, pennies and halfpennies will be legal tender only in multiples of sixpence—as will have been the case during the transition period for banking transactions and for cash payments of decimal amounts. All £ s.d. notes and coins from sixpence upwards will continue to be legal tender on the same basis as decimal notes and coins.

Notes and coins*Dimensions—Notes*

\$1 . . .	140 mm. x 70 mm.	(approximately 5½ inches by 2¾ inches)
\$2 . . .	145 mm. x 72.5 mm.	(„ „ 5½ „ by 2¾ „)
\$10 . . .	155 mm. x 77.5 mm.	(„ „ 6¼ „ by 3 „)
\$20 . . .	160 mm. x 80 mm.	(„ „ 6¼ „ by 3¼ „)

Dimensions—Coins. Sample measurements have given the following results.

DIMENSIONS OF DECIMAL CURRENCY COINS

(Inches)

	1-cent (bronze)	2-cents (bronze)	5-cents (cupro- nickel)	10-cents (cupro- nickel)	20-cents (cupro- nickel)	50-cents (silver)
Diameter—						
Maximum . . .	0.693	0.854	0.767	0.932	1.124	1.2415
Minimum . . .	0.687	0.850	0.762	0.927	1.120	1.2403
Average . . .	0.690	0.852	0.765	0.930	1.123	1.2409
Thickness—						
Maximum . . .	0.063	0.079	0.055	0.072	0.094	0.083
Minimum . . .	0.056	0.073	0.051	0.067	0.087	0.080
Average . . .	0.058	0.076	0.053	0.069	0.091	0.0815
Height of 50 coins stacked flat—						
Maximum . . .	2.907	3.778	2.650	3.493	4.518	4.15
Minimum . . .	2.841	3.771	2.637	3.480	4.496	4.0
Average . . .	2.874	3.775	2.6425	3.4862	4.507	4.075