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# PRIVATE FINANCE

## BANKING

### Banking in 1979

In 1979, 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. One important transaction is Rural Credits Advances, which consist chiefly of advance payments to grain growers for their crops, pending sale of the crops (and repayment of the Advances) by the respective marketing authorities.

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. This broad control continued in 1979 although there were factors which took approvals growth beyond the level which was desired by the authorities.

#### *Volume of money*

As 1979 opened, there was already concern about monetary growth. The Commonwealth Treasurer had indicated, when he brought down the 1978-79 Budget, that M3 growth in the 6 to 8 per cent range would be appropriate for that financial year. (M3 is volume of money, defined as being the private sector's holdings of cash, trading, and savings bank deposits.) By the end of December 1978, M3 had increased by 10.6 per cent over the same month a year earlier and the strong growth continued in the new year, under the influence of two particular factors:
(1) Changed interest rate expectations, which had led the private sector to liquidate bond holdings from about November 1978 onwards. Buyer disinterest continued to be reflected in a very low level of net sales of Commonwealth Government securities to the non-bank private sector until rates rose in May-June.
(2) The record 1978-79 wheat crop. Wheat growers delivered a total of 17.5 million tonnes to the Wheat Board in the 1978-79 season, up from 8.5 million tonnes the previous year. The first advance payment was lifted to $75 a tonne compared with $66 a tonne in the preceding year.

In an innovative move designed to offset the very strong boost to monetary growth from the exceptionally high payments to wheat farmers, the Wheat Board was requested to repay to the Reserve Bank funds additional to its normal repayments during the 1978-79 year. First advance payments had hitherto been entirely funded by Rural Credits Advances from the Reserve Bank — thus boosting private sector liquidity strongly in seasons when the crop was large. Hence the new move represented a shifting of part of the crop financing responsibility onto the private sector, so that the boost to M3 growth from Rural Credits Advances was lower than it would otherwise have been. The amount of private financing so arranged in 1978-79 amounted to $455m, which acted to dampen the very strong impetus to private sector liquidity from high rural receipts in the six months to June 1979.

Nevertheless, monetary growth continued at levels which were higher than the authorities wished to see. Given the higher-than-expected growth in the economy which resulted from the rural boom, this was not altogether inappropriate. All factors seemed to be working towards higher monetary growth:

(1) The narrowing of the current account deficit coupled with a pick-up in private capital inflow meant that private sector overseas transactions were much less of a drain on domestic money formation than in the preceding year.

(2) It became apparent during the March quarter that the deficit in the Commonwealth Government's accounts would be greater than forecast. The outcome for the year to June 1979 was $3,478m compared with a budgeted figure of $2,813m.

(3) In response to a significant improvement in economic growth and heavy seasonal demand to meet tax commitments, MTB loans outstanding increased by $540m in the June quarter. Growth over the year to June was 11.3 per cent.

(4) The level of sales of Commonwealth Government securities to the non-bank private sector continued to reflect buyer hesitation about the likely course of interest rates. Net sales amounted to $36m in the March quarter and $309m in the June quarter, which was insufficient to cut M3 growth back to the desired level.

In the March quarter, M3 rose at an annual rate of 14 per cent. The normal season contraction of the June quarter — when provisional and company taxes amounting to $3,116m passed from the private sector to the Commonwealth Government — acted to reduce monetary growth. Nonetheless, the outcome for the year to June 1979 was an increase in M3 of 11.8 per cent, somewhat above the original 6 to 8 per cent target.

The new financial year opened with renewed official emphasis on a reduction in volume of money growth but a change was occurring in the contribution of the various factors. In 1978-79, the increase in the size of the Commonwealth Government's deficit was a prime cause of rapid monetary growth. For 1979-80, however, a very sizeable decrease in the deficit was budgeted: to $2,193m, with the domestic component planned to fall from $2,258m in 1978-79 to $875m. This was expected to be consistent with M3 growth for the year to June 1980 not exceeding 10 per cent. Thus the impetus from the Commonwealth Government's deficit was much reduced and bank lending began to emerge as the major factor contributing to monetary growth. Contrary to expectations, the balance of payments did not, during the second half of 1979, provide a boost to M3.

Private sector foreign exchange transactions had recorded a net outflow of $254m in 1978-79. However, this reflected a deficit on these transactions of $639m in the six months to December 1978, followed by a surplus of $385m in the six months to June 1979. Net private capital picked up particularly strongly in the June quarter totalling $726m (including the balancing item). It was at that stage expected that private capital inflow would continue to strengthen during the remainder of 1979, an expectation which was not fulfilled because Australia's interest rate structure when compared with rising rates overseas (especially in the United States of America) made it cheaper to borrow domestically than to utilise overseas lines of credit. Thus, in the six months to December 1979, there was an outflow of private capital (including the balancing item) which totalled $194m.

Bank lending growth in the second half of 1979 was very strong. A considerable re-arrangement of corporate finances took place, with company funds managers replacing United States credit with cheaper local borrowings. Total MTB outstandings rose by $696m in the September quarter and $905m in the December quarter.

As 1979 closed, M3 growth was 11.5 per cent higher than it had been a year earlier. While this was not necessarily inconsistent with an aim of 10 per cent for the financial year, problems were already apparent. Strong lending growth was obviously set to continue (in the light of very heavy tax payments due later in 1979-80) and concern was emerging about the level of bond rates appropriate to lifting the non-bank private sector's holdings of government securities. The harvesting of another record grain crop, with its associated boost to monetary growth, was also beginning.

*Interest rates*

After the long-term bond rate was set below market expectations at 8.8 per cent in November 1978, the Commonwealth Government found it necessary to increase official long-term rates in several steps during 1979, to 9.0 per cent in the February conversion loan, to 9.7 per cent in the May conversion loan, and to 10.0 per cent in the August conversion loan.

Market activity during the month of June, spurred by fears of relatively high inflation for the June quarter, pushed bond yields up substantially above May levels, to reach 9.94 per cent for short-term bonds (from 9.7 per cent) and 10.10 per cent for long-term bonds (from 9.7 per cent). Except for a marginal decline at the long end, yields remained stable in July and were largely confirmed in the mid-August conversion loan. The market accepted this yield structure and bond rates stabilised, probably reflecting a temporary balance between upward expectations flowing from a sharp rise in United States interest rates, and downward expectations resulting from an appreciation that the Commonwealth Government's deficit financing requirements would not be large for 1979-80. Nevertheless, some hesitancy in the acceptance of bond yields was reflected in the fact that market activity was concentrated at the short end.

Treasury Note issue yields were increased in April 1979 and remained stable through the September quarter, although some "preliminary" tender issues in October indicated a market assessment of a yield slightly above the official 9.023 per cent for 13 week notes.

Rates for new semi-government loan raisings were increased by 0.4 per cent by the Loan Council in June. Maximum rates were raised to 10.5 per cent for public loans and 10.8 per cent for private treaty loans.

Private sector rates between the end of June and mid-October were influenced by a slower-than-normal build-up in private sector liquidity, following the 1979 tax drain period. While yields on commercial bills and certificates of deposit began their usual seasonal decline in the September quarter, by the end of September and into October they were firming again as liquidity tightened.

Following general stability of market rates on Commonwealth bonds during the September quarter 1979, rates began to creep upwards towards the end of the December quarter. Market rates on bonds began to rise marginally about the end of November, accelerating from mid-December (at the same time as rises in OPEC oil prices were announced), and the average rate for a two year bond rose from 9.94 per cent to around 9.97 per cent for the remainder of December. Longer-term bonds remained fairly stable around 10.08 per cent.

Market anticipation of an upward movement in interest rates was spurred by announcements of increases in the United States prime lending rate during October and November from 13.5 per cent to 15.75 per cent, as well as a 2.5 per cent rise in the United Kingdom base lending rate to about 16.5 per cent in mid-November. Fears of capital outflows caused by the large differential between domestic and overseas interest rates placed continuing upward pressure on official rates.

Official yields on Treasury Notes remained static until December 18, when the tap system of issue was replaced by the long-awaited official tender system. The Commonwealth Government operated a number of "preliminary" tenders during the latter half of 1979 and the results of these tenders made it increasingly apparent that official yields would have to rise with the formal introduction of the new tender system. The first official tender of 13 week Treasury Notes in December resulted in yields of 9.29 per cent to buyers, compared with the previous official yield of 9.023 per cent.

Rates on semi-government loans remained unchanged during the second half of 1979. However, with the large volume of funds sought by semi-government borrowers, the relatively low level of private sector liquidity, and the increasing upward pressures on other official rates, the year ended with new "semi" issues increasingly harder to move at existing rates.

Pressures on private sector rates also continued to intensify during the December quarter. While banking sector liquidity showed some improvement, it continued well below the levels reached during the December quarter 1978. Yields on commercial bills continued to move upwards during the last three months of 1979, partly in response to forecasts of tight liquidity conditions in the second half of the financial year. The weighted average issue yield on negotiable certificates of deposit increased as banks bid for funds to support strong lending, rising from about 9.6 per cent in August to 10.4 per cent in December for the 6 to 12 month terms.

*Bank deposits*

Total MTB deposits in Australia rose by $2,549m (13.0 per cent) during the year to reach $22,150m at the end of 1979. This growth was considerably stronger than in 1978, when MTB deposits increased by $1,741m (9.7 per cent). In 1979, current deposits grew by 16.8 per cent, well above the 11.8 per cent increase in 1978. At the same time, term deposits (including certificates of deposit) rose by 10.1 per cent. As a result, the ratio of term to total deposits declined from 56.8 per cent at the end of 1978 to 55.4 per cent in December 1979.

Savings bank deposits in Australia increased by $1,706m (10.9 per cent) during 1979 to $20,575m, a faster rate of increase than the $1,622m (9.4 per cent) rise in 1978. Investment accounts increased by 10.7 per cent and their ratio to total deposits increased over the year from 38.0 per cent to 38.6 per cent as growth in passbook and other deposits slowed from 9.5 per cent in 1978 to 8.0 per cent in 1979.

*Bank lending*

New lending commitments by the MTBs peaked at $175m a week in April 1979 and averaged $156m a week for the year, compared with an average of $133m a week during 1978. MTB loans, advances, and bills discounted rose by $2,097m (14.5 per cent) over the year to reach $16,612m in December, as against an increase of $1,556m (12.0 per cent) in 1978.

During 1979, the level of all savings bank housing and other loans outstanding increased by $1,383m (13.9 per cent) to reach $11,341m at December, compared with an increase of $1,310m (15.1 per cent) in 1978. The proportion of housing and other loans outstanding to total deposits rose from 52.8 per cent to 55.1 per cent over the year.

*Banking in Victoria*

MTB deposits in Victoria amounted to $5,592m at the end of 1979, an increase of $651m (13.2 per cent) on the previous year. Victoria's share of national MTB deposits at December 1979 stood at 25.2 per cent, the same as it was a year earlier.

Savings bank deposits in Victoria grew by $613m (8.9 per cent) over the year ended December 1979 to reach $7,529m compared with an increase of $632m (10.1 per cent) during 1978. Victoria's share of all savings bank deposits in Australia was 36.6 per cent at December, down marginally from 36.7 per cent a year earlier.

At December 1979, savings bank deposits in Victoria averaged $1,957 per head of population, up $146 or 8.1 per cent from the preceding December average of $1,811. The Australia-wide average rose by $107 (8.1 per cent) to reach $1,431 per head of population.

**Further refereuces: 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 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---|---|---|---|---|---|
| Liabilities— | | | | | |
| Capital and reserves | 46 | 46 | 46 | 46 | 46 |
| Special reserve— | | | | | |
| IMF Special Drawing Rights | 205 | 217 | 222 | 276 | 373 |
| Australian notes on issue | 2,762 | 3,172 | 3,549 | 3,950 | 4,416 |
| Statutory Reserve Deposit accounts of trading banks | 909 | 1,304 | 1,121 | 870 | 1,272 |
| Other deposits of trading banks | 42 | 69 | 42 | 33 | 16 |
| Deposits of savings banks | 1,090 | 1,213 | 1,123 | 1,093 | 657 |
| Other liabilities | 748 | 1,255 | 2,282 | 2,815 | 4,296 |
| Total | 5,802 | 7,276 | 8,385 | 9,083 | 11,076 |
| Assets— | | | | | |
| Gold and foreign exchange | 2,779 | 2,612 | 2,720 | 3,236 | 4,553 |
| Australian notes and coin | 21 | 27 | 35 | 38 | 41 |
| Cheques and bills of other banks | 7 | 6 | 5 | 4 | 5 |
| Commonwealth Government securities— | | | | | |
| Redeemable in Australia— | | | | | |
| Treasury bills and notes | 1,290 | 1,758 | 2,315 | 2,300 | 3,378 |
| Other | 907 | 2,190 | 2,453 | 2,590 | 2,315 |
| Bills receivable and remittances in transit | 69 | 78 | 82 | 86 | 137 |
| Loans, advances, and all other assets | 729 | 605 | 775 | 829 | 647 |
| Total | 5,802 | 7,276 | 8,385 | 9,083 | 11,076 |

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

| Particulars | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---|---|---|---|---|---|
| Liabilities (excluding capital and contingencies) | 201.2 | 289.0 | 483.1 | 549.3 | 381.9 |
| Assets (loans, advances, etc.) | 258.5 | 350.3 | 549.3 | 619.4 | 455.8 |

### *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) |
|---|---|---|
| 30 September 1977 | 1.1076 | 91.5 |
| 30 December 1977 | 1.1414 | 89.4 |
| 31 March 1978 | 1.1431 | 87.5 |
| 30 June 1978 | 1.1475 | 86.2 |
| 29 September 1978 | 1.1566 | 83.6 |
| 29 December 1978 | 1.1505 | 82.7 |
| 30 March 1979 | 1.1182 | 82.3 |
| 29 June 1979 | 1.1211 | 83.1 |
| 28 September 1979 | 1.1298 | 83.5 |
| 31 December 1979 | 1.1055 | 83.3 |
| 31 March 1980 | 1.0831 | 84.4 |
| 31 June 1980 | 1.1576 | 85.0 |
| 31 September 1980 | 1.1690 | 85.8 |

*(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. In June 1979, the Australian banks introduced currency hedging facilities and the Sydney Futures Exchange Limited is establishing a currency futures market in conjunction with commodities futures markets.

### *Exchange control*

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

### Commonwealth Banking Corporation

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

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

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

#### *Commonwealth Trading Bank of Australia*

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

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 |
| 1976 | 2,310 | 1,297 | 3,607 | 2,424 | 1,596 |
| 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 |

#### *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 1980 of $7,983m. Deposits with the CSB are guaranteed by the Commonwealth Government.

The CSB offers a full range of savings bank deposit services, including personal savings accounts, joint accounts, trust accounts, Savings Investment Accounts (which offer an interest rate higher than normal savings bank interest), and passbook or cheque accounts for clubs and societies. The Bank operates a Christmas Club, deposits in which, plus interest, are repaid by cheque in December of each year. At 30 June 1980, the 1980 Christmas Club had over 347,000 contributing members whose balances had reached $36m. Jointly with the Commonwealth Trading Bank, the Commonwealth Savings Bank provides a full travel service, known as Travelstrength Limited, as well as providing finance for leasing, hire-purchase, mortgage loans, and commercial and personal instalment loans through its subsidiary CBFC Ltd.

At 30 June 1980, amounts on deposit with the CSB totalled $7,521m. The CSB was conducting 8,336,000 active accounts and its services were available through an Australia-wide network of 1,226 branches and sub-branches as well as 5,717 agencies.

The CSB maintains the largest commercial on-line computer system in Australia with 2,074 terminals installed at branches and over eight million accounts being processed by computer.

The CSB's depositors' balances are invested widely in the development of Australia; apart from advances (mainly for housing) of $3,884m outstanding at 30 June 1980, investments in Commonwealth and State Government securities totalled $1,325m, and in local and semi-governmental securities amounted to $2,086m.

During 1979-80, the CSB remained Australia's largest lender for housing and approved housing loans totalling $861m, providing 33 per cent of all housing loan finance made available by savings banks. A feature of the CSB's housing lending programme in 1979-80 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 1979-80, the CSB continued its long-established programme of support to local and semi-government bodies by providing loans of $250m 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 |
| 1976 | 8,026 | 5,423 | 2,406 | 2,697 |
| 1977 | 8,156 | r5,953 | r2,816 | r2,754 |
| 1978 | 8,192 | r6,554 | r3,197 | r2,965 |
| 1979 | 8,281 | r7,093 | r3,540 | r3,322 |
| 1980 | 8,336 | 7,521 | 3,937 | 3,427 |

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

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

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

Loan approvals for the year ended 30 June 1980 numbered 2,722 for a total amount of $115.8m and equipment finance approvals numbered 4,606 for a total amount of $56.7m.

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

| Type of industry | Rural loans | | Type of industry | Business loans | |
|---|---|---|---|---|---|
| | 1979 | 1980 | | 1979 | 1980 |
| Beef cattle | 65,919 | 57,715 | Manufacturing | 37,443 | 38,523 |
| Sheep | 73,047 | 79,417 | Transport, storage, and communication | 1,590 | 1,867 |
| Dairying | 27,284 | 31,959 | Retail and wholesale | 2,312 | 6,606 |
| Other livestock | 14,855 | 19,469 | Building and construction | 1,136 | 1,333 |
| Wheat | 56,434 | 64,934 | Fishing | 12,207 | 18,116 |
| Other grain crops | 17,945 | 19,613 | Tourism | 5,606 | 8,205 |
| Fruit | 12,092 | 12,482 | Sawmilling | 1,740 | 1,314 |
| Other rural industry | 23,950 | 26,510 | Other business and services | 2,537 | 7,551 |
| Total | 291,526 | 312,099 | Total | 64,573 | 83,515 |

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

## Trading banks

The following tables show operations of trading banks in Victoria:

VICTORIA—TRADING BANKS: NUMBER OF BRANCHES AND AGENCIES

| Bank | At 30 June 1979 | | At 30 June 1980 | |
|---|---|---|---|---|
| | Branches | Agencies | Branches | Agencies |
| Major trading banks— | | | | |
| Commonwealth Trading Bank of Australia | 178 | 71 | 183 | 72 |
| Australia and New Zealand Banking Group Ltd | 300 | 49 | 297 | 53 |
| The Bank of Adelaide | 3 | — | 2 | — |
| Bank of New South Wales | 205 | 6 | 210 | 6 |
| The Commercial Bank of Australia Ltd | 181 | 22 | 182 | 20 |
| The Commercial Banking Co. of Sydney Ltd | 151 | 18 | 151 | 17 |
| The National Bank of Australasia Ltd | 241 | 55 | 242 | 53 |
| Total major trading banks | 1,259 | 221 | 1,267 | 221 |

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

| Bank | At 30 June 1979 | | At 30 June 1980 | |
|---|---|---|---|---|
| | Branches | Agencies | Branches | Agencies |
| Other trading banks— | | | | |
| Bank of New Zealand | 1 | — | 2 | — |
| Banque Nationale de Paris | 1 | — | 1 | — |
| Total other trading banks | 2 | — | 3 | — |
| Total all trading banks | 1,261 | 221 | 1,270 | 221 |
| Melbourne metropolitan area | 788 | 110 | 792 | 116 |
| Remainder of Victoria | 473 | 111 | 478 | 105 |

## VICTORIA—MAJOR TRADING BANKS: AVERAGES *(a)* OF DEPOSITS AND ADVANCES, MONTH OF JUNE 1980
($'000)

| Bank | Deposits repayable in Australia | | | Loans *(b)*, advances and bills discounted |
|---|---|---|---|---|
| | Not bearing interest | Bearing interest | Total | |
| Commonwealth Trading Bank of Australia | 345,908 | 596,793 | 942,701 | 810,496 |
| Private trading banks— | | | | |
| Australia and New Zealand Banking Group Ltd | 694,762 | 844,954 | 1,539,716 | 1,266,325 |
| The Bank of Adelaide | 7,990 | 32,380 | 40,370 | 13,701 |
| Bank of New South Wales | 299,431 | 498,945 | 798,376 | 697,296 |
| The Commercial Bank of Australia Ltd | 306,073 | 521,243 | 827,316 | 632,804 |
| The Commercial Banking Co. of Sydney Ltd | 168,591 | 211,933 | 380,524 | 329,595 |
| The National Bank of Australasia Ltd | 462,627 | 737,869 | 1,200,496 | 665,938 |
| Total | 2,285,381 | 3,444,116 | 5,729,498 | 4,416,155 |

*(a)* Averages of amounts at close of business on Wednesday of each week.
*(b)* Excludes loans to authorised dealers in the short-term money market.

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

| Month of June— | Deposits repayable in Australia | | | Loans *(b)*, advances and bills discounted |
|---|---|---|---|---|
| | Not bearing interest | Bearing interest | Total | |
| 1976 | 1,689,359 | 2,690,412 | 4,379,771 | 3,015,321 |
| 1977 | 1,746,788 | 3,003,300 | 4,750,088 | 3,408,171 |
| 1978 | 1,832,957 | 2,774,974 | 4,607,931 | 3,688,647 |
| 1979 | 2,061,679 | 2,812,602 | 4,874,280 | 3,986,840 |
| 1980 | 2,285,381 | 3,444,116 | 5,729,498 | 4,416,155 |

*(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— | | | | |
|---|---|---|---|---|---|
| | 1976 | 1977 | 1978 | 1979 | 1980 |
| Resident borrowers— | | | | | |
| Business advances— | | | | | |
| Agriculture, grazing, and dairying | 276.9 | 290.8 | 301.6 | 333.1 | 356.8 |
| Manufacturing | 595.9 | 620.5 | 717.8 | 697.3 | 910.7 |
| Transport, storage, and communication | 54.5 | 56.9 | 57.5 | 58.9 | 70.3 |
| Finance | 214.9 | 224.4 | 293.1 | 253.3 | 269.9 |
| Commerce | 368.7 | 409.0 | 408.4 | 471.3 | 520.7 |
| Building and construction | 108.8 | 121.2 | 130.3 | 128.1 | 125.1 |
| Mining | 137.3 | 164.6 | 83.9 | 100.7 | 106.5 |
| Other businesses | r349.5 | r414.8 | r409.2 | r361.5 | 423.2 |
| Unclassified | 57.9 | 70.6 | 72.1 | 106.1 | 96.4 |
| Total business advances | 2,164.5 | 2,372.8 | 2,474.0 | 2,510.3 | 2,879.5 |

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

| Classification | At second Wednesday of July— | | | | |
|---|---|---|---|---|---|
| | 1976 | 1977 | 1978 | 1979 | 1980 |
| Advances to public authorities | 71.0 | 113.2 | 58.9 | 53.2 | 52.8 |
| Personal advances | 821.6 | 1,037.6 | 1,184.6 | 1,400.7 | 1,521.4 |
| Advances to non-profit organisations | 32.8 | 35.5 | 39.7 | 39.5 | 42.4 |
| Total advances to resident borrowers | 3,090.0 | 3,559.2 | 3,757.2 | 4,003.8 | 4,496.0 |
| Non-resident borrowers | 5.4 | 5.7 | 2.6 | 4.8 | 11.7 |
| Grand total | 3,095.4 | 3,564.9 | 3,759.8 | 4,008.5 | 4,507.8 |

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 table on pages 479-80) and, in addition, the Rural Credits Department of the Reserve Bank and the Commonwealth Development Bank. Debits to Commonwealth and Victorian Government accounts at Melbourne city branches are excluded from the table.

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

| June | Average weekly debits | June | Average weekly debits |
|---|---|---|---|
| 1973 | 2,551.3 | 1977 | 5,209.3 |
| 1974 | 2,932.5 | 1978 | 5,552.6 |
| 1975 | 3,334.9 | 1979 | r7,050.1 |
| 1976 | 4,442.3 | 1980 | 7,854.9 |

**State Bank of Victoria**

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 two deputies.

The Bank accepts interest-bearing deposits through passbook, school bank, coupon club accounts, and deposit stock and term deposits. It provides cheque accounts, safe deposits, and a wide range of other banking services. The funds are principally invested in loans to semi-governmental, municipal, and other public authorities within Victoria; loans on the security of first mortgage over freehold land for houses and farms; 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 $4,475m at 30 June 1980. The total deposits of its 3,896,705 operative accounts, held at 540 branches and sub-branches and 473 agencies, amounted to $3,873m which represented approximately 49.4 per cent of all savings bank balances, or 28.4 per cent of all bank balances, in Victoria.

Under a 1957 amendment to the State Savings Bank Act, the Bank was empowered to conduct cheque accounts which, except in the case of certain non-profit organisations, do not bear interest. At 30 June 1980, the Bank held 457,336 cheque accounts with balances of $393m.

At 30 June 1980, 337 branches were served by a computer complex at the Bank's Head Office. These included 302 directly linked by telegraph line. The computer also processed many Head Office accounting functions.

A Christmas Club has operated since November 1964 and a Calendar Club with a variable term arrangement since 1971. For the year ending 30 June 1980, $26.6m was paid out to members of the Christmas Club, and $6.8m to members of the Calendar Club.

Secured and unsecured personal loans were introduced in November 1963. At 30 June 1980, 93,653 borrowers owed $271.8m.

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

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

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

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.

To provide banking facilities for a rapidly expanding population, and to replace agencies formerly conducted by private banks, the Bank increased the number of its branches and sub-branches from 267 in 1956 to 540 in 1980. In the same period, many of the Bank's older branches were re-built or modernised to provide attractive premises for clients and staff.

Through its 25 per cent shareholding in Tricontinental Holdings Limited, the Bank has further diversified its interests into the merchant banking field.

Depositors' balances have increased from $528.6m at 30 June 1956, the year in which private banks entered the savings field, to $3,873m at 30 June 1980.

## *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 1980, 117,847 housing loan borrowers owed a total debt of $1,882m.

In less direct ways the Bank provides further assistance to home seekers. Overdraft accommodation has been provided to co-operative housing societies and, at 30 June 1980, $34.6m was owed to the Bank by co-operative societies. The Bank also provides funds to the Home Finance Trust which, at 30 June 1980, owed the bank $8.3m.

Rural interests are well served by long-term mortgage loans or short-term personal loans. In addition, the Bank is a shareholder in the Primary Industry Bank of Australia Ltd (P. I. B. A.) and supplements its traditional lending to the rural sector with loans re-financed through P. I. B. A. Advances to farmers totalled $8m in 1979-80 and at 30 June 1980, $35.9m was outstanding from 1,480 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 1980 was $778m.

*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 1979-80 totalled $1.5m.

*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 resulted from amendments to the Act passed on in December 1980. In conjunction with other lending operations, this new facility enabled the Bank to offer a full, competitive banking service to its small business customers.

## *Other facilities*

### *School banking*

The State Bank of Victoria's school bank system was introduced in 1912. At 30 June 1980, banking was provided at 2,345 schools for 460,330 depositors whose balances totalled $13.4m.

### *Foreign currency transactions*

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

### *Other services*

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 |
| 1975-76 | 3,497 | 2,575,292 | 9,638,308 | 9,505,732 | 134,671 |
| 1976-77 | 3,588 | 2,850,196 | 12,537,767 | 12,446,814 | 147,109 |
| 1977-78 | 3,691 | 3,127,894 | 12,088,914 | 12,063,166 | 163,599 |
| 1978-79 | 3,804 | 3,469,055 | 14,098,620 | 14,031,665 | 177,729 |
| 1979-80 | 3,897 | 3,873,147 | 16,755,830 | 16,581,587 | 194,761 |

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. | |
| 1975-76 | 302.8 | 4.0 | 1.3 | 1,067.0 |
| 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 |

*(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 1979-80 were: 1975-76, $74.5m; 1976-77, $89.4m; 1977-78, $107.7m; 1978-79 $127m; and 1979-80, $145.5m.

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

## Private savings banks

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

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

| At 30 June— | Deposits in Victoria | Proportion of deposits with all savings banks in Victoria |
|---|---|---|
| | $'000 | per cent |
| 1976 | 1,685,462 | r31.1 |
| 1977 | 1,885,959 | r31.7 |
| 1978 | 2,059,088 | 31.4 |
| 1979 | 2,265,017 | r31.9 |
| 1980 | 2,389,071 | r31.5 |

At 30 June 1980, private savings banks had 1,086 branches and 527 agencies throughout Victoria.

The following table shows the amount of depositors' balances in each savings bank in Victoria at 30 June 1976 to 1980:

VICTORIA—SAVINGS BANKS: DEPOSITS

| Savings bank | Depositors' balances at 30 June— | | | | |
|---|---|---|---|---|---|
| | 1976 | 1977 | 1978 | 1979 | 1980 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| State Bank *(a)* | 2,574,500 | 2,849,284 | 3,126,660 | 3,467,642 | 3,872,408 |
| Commonwealth Savings Bank of Australia | 1,117,655 | 1,242,289 | 1,366,780 | 1,478,579 | 1,577,267 |
| Private savings banks— | | | | | |
| Australia and New Zealand Savings Bank Ltd | 565,534 | 620,913 | 675,553 | 733,416 | 769,846 |
| The Bank of Adelaide Savings Bank Ltd | 3,737 | 3,933 | 4,466 | 5,393 | 4,749 |
| Bank of New South Wales Savings Bank Ltd | 365,440 | 414,550 | 452,941 | 494,292 | 525,669 |
| Bank of New Zealand Savings Bank Ltd | 512 | 591 | 703 | 949 | 1,190 |
| The Commercial Savings Bank of Australia Ltd | 219,125 | 248,270 | 272,616 | 306,751 | 327,163 |
| C.B.C. Savings Bank Ltd | 194,868 | 225,287 | 243,433 | 268,048 | 285,531 |
| The National Bank Savings Bank Ltd | 336,246 | 372,415 | 409,376 | 451,290 | 474,923 |
| Total deposits | 5,377,617 | 5,977,532 | 6,552,528 | 7,206,360 | 7,838,746 |
| | $ | $ | $ | $ | $ |
| Deposits per head of population | 1,464 | 1,588 | 1,719 | 1,878 | 2,029 |

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

## FINANCIAL INSTITUTIONS (OTHER THAN BANKS)

### Introduction

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

In line with the rapid transformation of the Australian economy over the last twenty years, the range and variety of financial institutions have expanded considerably. Some general factors contributing to the growth of the Australian private financial sector include changes in the industrial structure of the economy, changing levels of incomes and wealth, and changes in community spending patterns. These factors have in turn led to altered preferences for asset acquisition—between physical and financial assets—and to the development of preferences for particular types of financial assets. Price expectations, anticipated income levels, community views on real and nominal rates, and the general level of business and consumer confidence also play a part in the eventual demand for financial assets.

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

A Committee of Inquiry was established early in 1979 to inquire into and report on the structure and methods of operation of the Australian financial system and on the regulation and control of the system. During 1979-80, the Committee received written submissions and held public hearings at which parties were given the opportunity to elaborate their views. This inquiry is the first into the workings of the financial system since the 1937 Royal Commission into Monetary and Banking Systems in Australia.

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

## AUSTRALIA—TOTAL ASSETS OF FINANCIAL INSTITUTIONS

| Financial institutions | At 30 June— | | | | |
|---|---|---|---|---|---|
| | 1975 | 1976 | 1977 | 1978 | 1979 p |
| | AMOUNT OF TOTAL ASSETS ($m) | | | | |
| Trading banks | 18,458 | 20,970 | 23,299 | 25,057 | 29,528 |
| Savings banks | 13,646 | 15,568 | 17,294 | 19,026 | 21,052 |
| Other banking institutions | r871 | 1,041 | 1,105 | 1,197 | 1,354 |
| Banks (consolidated) *(a)* | 31,708 | 36,428 | 40,523 | 44,081 | 50,433 |
| Reserve Bank | 5,356 | 6,193 | 8,057 | 8,679 | 10,246 |
| Life insurance offices | 8,909 | 9,703 | 10,503 | 11,568 | 12,643 |
| Public pension funds | 2,985 | 3,551 | r4,071 | r4,746 | 5,564 |
| Private pension funds | 2,810 | r3,282 | r3,811 | r4,454 | 5,218 |
| Non-life insurance offices | 3,433 | 4,390 | r5,935 | r6,195 | 7,000 |
| Finance companies *(b)* | 9,943 | 11,797 | 13,793 | 15,709 | 17,540 |
| Merchant banks | 2,442 | 2,950 | 3,356 | 3,873 | 4,932 |
| Building societies | 5,049 | 6,106 | 7,503 | 8,752 | 10,402 |
| Authorised money market dealers | 889 | 1,053 | r1,145 | r1,503 | 1,577 |
| Credit co-operatives | 633 | 839 | 1,066 | 1,342 | 1,733 |
| Pastoral finance companies | 837 | 883 | *(c)* 760 | 824 | 963 |
| Unit trusts, land trusts, and mutual funds | 387 | 396 | 415 | 447 | 562 |
| Investment companies | 381 | 416 | 484 | 529 | 582 |
| Other financial institutions | 1,005 | r1,179 | r1,455 | r1,462 | 1,921 |
| Total | 76,767 | r89,166 | r102,877 | r114,164 | 131,316 |
| | PROPORTION OF TOTAL ASSETS (per cent) | | | | |
| Trading banks | 24.0 | 23.5 | 22.7 | 21.9 | 22.5 |
| Savings banks | 17.8 | 17.5 | 16.8 | 16.6 | 16.0 |
| Other banking institutions | 1.1 | 1.2 | 1.1 | 1.0 | 1.0 |
| Banks (consolidated) *(a)* | 41.3 | 40.9 | r39.4 | r38.6 | 38.4 |
| Reserve Bank | 7.0 | 6.9 | 7.8 | 7.6 | 7.8 |
| Life insurance offices | 11.6 | 10.9 | 10.2 | 10.1 | 9.6 |
| Public pension funds | 3.9 | 4.0 | 4.0 | r4.2 | 4.2 |
| Private pension funds | 3.7 | 3.7 | 3.7 | 3.9 | 4.0 |
| Non-life insurance offices | 4.5 | 4.9 | 5.8 | r5.4 | 5.3 |
| Finance companies *(b)* | 12.9 | 13.3 | 13.5 | r13.8 | 13.4 |
| Merchant banks | 3.2 | 3.3 | 3.3 | 3.4 | 3.8 |

AUSTRALIA—TOTAL ASSETS OF FINANCIAL INSTITUTIONS—*continued*

| Financial institutions | At 30 June— | | | | |
|---|---|---|---|---|---|
| | 1975 | 1976 | 1977 | 1978 | 1979 p |
| Building societies | 6.6 | 6.8 | r7.3 | r7.7 | 8.0 |
| Authorised money market dealers | 1.2 | 1.2 | 1.1 | 1.3 | 1.2 |
| Credit co-operatives | 0.8 | 0.9 | 1.0 | 1.2 | 1.3 |
| Pastoral finance companies | 1.0 | 1.0 | *(c)* 0.7 | 0.7 | 0.7 |
| Unit trusts, land trusts, and mutual funds | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 |
| Investment companies | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 |
| Other financial institutions | 1.3 | 1.3 | r1.4 | r1.2 | 1.5 |
| 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 institution groups cannot be exclusively gauged from their size, or even relative sizes. Some may be quite important as brokers between borrowers and lenders, while holding very small assets on their own account. Aspects such as competitive relationships between groups and changes in roles or functions are not evident, and a clear distinction is difficult between some of the categories, e.g., finance companies and merchant banks.

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

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

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

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

In the 1975-76 Budget, the Commonwealth Government introduced a General Rebate which credited taxpayers with expenditure of $1,350 on what were previously concessional deductions—for medical, educational and other expenses, life insurance premiums, and superannuation contributions. A 40 per cent tax rebate was applied. In the 1977-78 Budget, the General Rebate was abolished and a free threshold income was introduced.

Concessional expenditure over $1,590 was allowed as a rebate at the basic tax rate, 32 cents in the dollar. The 1978-79 Budget raised the basic rate to 33.5 cents in the dollar, but the maximum allowance for each component, including $1,200 for life insurance premiums and superannuation contributions, has not been changed. For recent developments regarding life insurance premiums and superannuation contributions see page 499.

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

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

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

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

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

## Finance companies

A comprehensive account of the scope of statistics relating to the lending operations of finance companies and further details of the transactions of finance companies can be found in the publication *Finance Companies Transactions*, 1973-74 (5615.0), issued by the Central Office of the Australian Bureau of Statistics. Finance companies, like other financial institutions, are distinguishable from non-financial institutions in that they deal mainly in financial assets as opposed to physical goods and non-financial services. However, while the various classes of financial institutions are commonly acknowledged as possessing individual traits, it is difficult to formulate precise and mutually exclusive definitions in respect of each class. For the purpose of these statistics, finance companies are defined as incorporated companies which are engaged mainly in providing to the general public (businesses as well as private persons) credit facilities of the following types: hire purchase and other instalment credit for retail sales, wholesale finance, personal loans, other consumer and commercial loans, factoring, financial leasing of business plant and equipment, and bills of exchange. The finance companies covered in these statistics, insofar as they provide instalment credit for retail sales, are also included in the statistics of instalment credit for retail sales (see page 489). 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 | 296.6 | 239.5 | 1,529.7 | 158.2 | 501.3 | 2,725.3 |
| | | | 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 | 566.4 | 422.5 | 421.5 | 497.2 | 882.1 | 2,789.7 |
| | | | 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 | 469.6 | 315.7 | 1,569.6 | 278.5 | 568.4 | 3,201.8 |

*(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 487), retail establishments which come within the scope of the Census of Retail Establishments (see Chapter 18 of this *Year Book*), and unincorporated finance businesses provided that their outstanding balances on instalment credit schemes are $500,000 or more for the whole of Australia. Banks, credit unions, and insurance companies financing retail sales of consumer commodities are at present excluded. Also excluded are credit schemes which do not involve regular predetermined instalments, credit transactions which relate mainly to financing of "producer" type goods (e.g., plant and machinery, tractors, and commercial type vehicles), and credit transactions involving sale of land and buildings, property improvements, travel, services such as repair and maintenance work, and the leasing and rental of goods. A detailed account of the scope of these statistics may be found in the publication *Instalment Credit for Retail Sales, July-September* 1973 (5631.0), issued by the Central Office of the Australian Bureau of Statistics.

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

| Year | Motor vehicles, etc. | | | Household and personal goods | | | Total |
|---|---|---|---|---|---|---|---|
| | Finance companies | Other business | All business | Finance companies | Other business | All business | |
| 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 | 229.9 | — | 229.9 | 66.7 | 74.5 | 141.3 | 371.2 |

*(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 | | |
| 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 | 59.5 | 100.6 | 22.1 | 182.2 | 56.7 | 238.9 |

*(a)* Excludes hiring charges, interest, and insurance.
*(b)* New and used motor cycles, boats, caravans, trailers, motor parts, and accessories.

**Short-term money market**

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

Known as authorised dealers, each of these dealer companies has been accredited by the Reserve Bank. Such accreditation has significance both for the dealers and for their clients, the most important aspect being that by acting as "lender of last resort" the Bank provides liquidity to dealers, in that they can borrow from the Bank against their holdings of certain public authority securities and thereby have an assured source of funds to repay loans. The Bank does not, however, accept responsibility for the repayment of a dealer's individual loans or for 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 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| All trading banks | 392.9 | 132.4 | 335.0 | 354.3 | 333.1 |
| Savings banks | 71.5 | 68.1 | 135.8 | 133.1 | 203.6 |
| Insurance offices | 44.1 | 53.3 | 68.4 | 74.7 | 75.5 |
| Superannuation, pension, and provident funds | 17.3 | 14.8 | 25.4 | 72.2 | 33.0 |
| Hire purchase and other instalment credit companies | 2.8 | 6.7 | 17.4 | 27.4 | 7.3 |

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

| Clients | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Companies, n.e.i. | 178.7 | 309.7 | 364.8 | 314.6 | 322.0 |
| Commonwealth and State Governments | 137.3 | 43.2 | 150.6 | 212.2 | 130.6 |
| Local and semi-government authorities, n.e.c. | 115.9 | 121.3 | 175.8 | 207.6 | 168.1 |
| All other lenders (including marketing boards and trustee companies) | 38.0 | 47.2 | 92.1 | 108.2 | 102.5 |
| Total | 998.4 | 796.8 | 1,365.3 | 1,504.3 | 1,375.5 |

*(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 | |
| September 1977 | 1.50 | 18.35 | 4.00 | 12.80 | 9.36 |
| December 1977 | 2.00 | 18.85 | 4.00 | 14.00 | 8.99 |
| March 1978 | 2.00 | 18.30 | 5.00 | 11.01 | 8.15 |
| June 1978 | 0.50 | 18.86 | 3.00 | 11.50 | 9.05 |
| September 1978 | 1.00 | 19.15 | 5.50 | 12.80 | 9.27 |
| December 1978 | 3.00 | 16.35 | 4.61 | 11.60 | 8.39 |
| March 1979 | 1.00 | 15.15 | 4.10 | 12.25 | 7.40 |
| June 1979 | 1.00 | 18.25 | 3.10 | 11.00 | 7.75 |
| September 1979 | 1.00 | 17.85 | 2.60 | 12.65 | 8.89 |
| 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 |

*(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 | | |
| September 1977 | 19.1 | 995.2 | 1,014.3 | 124.1 | 27.9 |
| December 1977 *(d)* | 46.2 | 1,069.2 | 1,115.4 | 137.0 | 14.5 |
| March 1978 | 52.0 | 1,160.0 | 1,212.0 | 111.5 | 7.8 |
| June 1978 | 57.9 | 1,085.6 | 1,143.5 | 153.5 | 15.8 |
| September 1978 | 179.6 | 1,188.7 | 1,368.3 | 157.8 | 16.0 |
| December 1978 *(d)* | 151.8 | 1,129.1 | 1,280.9 | 107.4 | 18.0 |
| March 1979 | 312.1 | 916.9 | 1,229.0 | 84.6 | 17.1 |
| June 1979 | 176.7 | 1,069.5 | 1,246.2 | 190.2 | 18.3 |
| September 1979 | 40.8 | 1,210.8 | 1,251.6 | 192.1 | 16.9 |
| 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 |

*(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 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---|---|---|---|---|---|
| New companies registered (number) — | | | | | |
| Victorian | 9,691 | 14,122 | 10,645 | 11,131 | 12,017 |
| Other | 397 | 409 | 430 | 542 | 660 |
| Total | 10,088 | 14,531 | 11,075 | 11,673 | 12,677 |
| Number of companies struck off — | | | | | |
| Victorian | 3,429 | 2,334 | 2,602 | 2,699 | 2,869 |
| Other | 92 | 147 | 55 | 158 | 164 |
| Total | 3,521 | 2,481 | 2,657 | 2,857 | 3,033 |
| Approximate number of existing companies at end of June — | | | | | |
| Victorian ('000) | 86.2 | 97.9 | 106.2 | 114.4 | 123.5 |
| Other ('000) | 6.0 | 6.3 | 6.6 | 7.0 | 7.4 |
| Total | 92.2 | 104.2 | 112.8 | 121.4 | 130.9 |
| Nominal capital of new companies ($m) — | | | | | |
| Victorian | 131.6 | 242.3 | 370.5 | 377.4 | 822.9 |
| Other | 217.2 | 63.9 | 29.1 | 514.3 | 311.5 |
| Total | 348.8 | 306.2 | 399.6 | 891.7 | 1,134.4 |
| Increase in nominal capital of Victorian companies during the financial year ($m) | 632.7 | 775.0 | 1,175.8 | 1,169.5 | 2,112.9 |

**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 1980, membership of the Exchange totalled 207. 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 Joint Exchange Share Price Index was introduced on 1 January 1980 and will replace the existing Melbourne and Sydney Indices. 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 1980, ten Sydney member firms had applied for and been granted access to the floor of the Melbourne Exchange and four 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, three amendment supplements to the Manual have been issued, basically to give effect to impending national legislation relating to takeovers.

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

## *Stock market during 1979-80*

### *Melbourne Share Price Index*

The All Ordinaries Index opened in July 1979 at 214.02 and rose steadily for the period to September 26 reaching 252.17, an all time high for the group. The Index declined slightly during November only to rise again and close the interim period at 279.76, representing an overall gain of 31 per cent. The group continued its upward trend reaching a peak of 357.71 on 14 February 1980 before falling back to 287.42 at 28 March. The closing Index of 346.74 at 30 June 1980 displayed an increase of 63 per cent for the year.

The 50 Leaders Index followed a similar pattern reaching an all time high of 370.30 at 14 February 1980, closing the year at 344.75, an increase of 60 per cent.

Only two indices displayed a loss for the 12 months to 30 June 1980: Group 8 — Textiles and Clothing fell 2 per cent and Group 28 — Preference fell 6 per cent. The greatest percentage increase for the period was recorded in Group 19 — Oil and Gas with 298 per cent followed by Group 12 — Developers and Building Contractors with 106 per cent. The highest group, (relative to the base of 100) was Group 18 — Metals and Minerals at 1,132.41 followed by Group 19 — Oil and Gas at 976.60 and then Group 10 — Steel and Engineering at 479.77.

### *Growth rate in price indices over the last ten years*

Over the ten years to 30 June 1980, the four groups showing the highest compound rates of growth were:

VICTORIA — MELBOURNE STOCK MARKET: PRICE INDICES, JUNE 1970 AND JUNE 1980

| Group | June 1970 | June 1980 | Increase | Annual growth rate |
|---|---|---|---|---|
| | | | per cent | per cent |
| Oil and Gas | 193.82 | 976.60 | 404 | 17.55 |
| Developers and Building Contractors | 118.10 | 393.73 | 233 | 12.82 |
| Transport | 107.14 | 338.98 | 216 | 12.19 |
| Pastoral | 103.15 | 241.43 | 134 | 8.87 |

### *Market turnover*

Total turnover by value for the year ended 30 June 1980 was a record $4,212.2m representing an increase of 148 per cent over the previous corresponding period. This figure, in comparison to the previous record established in the 1969-70 boom ($1,369m), represents a gain of 208 per cent.

Turnover by value for both Industrial and Preference shares increased 99 per cent to a record $1,609.8m and 24 per cent, to $2.1m, respectively, when compared with the previous corresponding period. In the Oil sector, turnover by value increased by a record 548 per cent to $442.8m and a record increase was also experienced in the Mining sector with a 258 per cent gain to $1,170.4m compared with the previous year.

Commonwealth Loans turnover by value increased 123 per cent to a record $625.6m ($415.4m in 1979), whereas turnover by value in Semi-Government Loans and Debentures and Notes decreased 20 per cent and 31 per cent to $48.6m ($60.6m in 1979) and $12.9m ($18.6m in 1979), respectively.

Turnover by volume of $3,173.1m for the year ended 30 June 1980 represented a 124 per cent increase over the previous corresponding period. This figure is 106 per cent higher than the turnover by volume credited in the 1969-70 boom ($1,544m).

The greatest rate of increase was again in the Oil sector which increased 281 per cent to $464.4m which compared with the previous year, followed by Mining which increased 182 per cent to $936.5m. Turnover by volume in the Industrial sector increased 58 per cent to $719.4m and the increase in the Preference sector was 33 per cent to $2.4m, when compared with the previous period.

Commonwealth Loans and Semi-Government Loans increased 133 per cent to $985.2m and 15 per cent of $60m, 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 41 per cent to $14.2m.

## 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 | 1975-76 | 1976-77 | 1977-78 | 1978-79 |
|---|---|---|---|---|
| Number of Societies | 55 | 53 | 53 | 52 |
| | $'000 | $'000 | $'000 | $'000 |
| INCOME AND EXPENDITURE | | | | |
| Income — | | | | |
| Interest from loans | 72,752 | 104,081 | 128,299 | 151,345 |
| Interest from deposits | 14,777 | 16,771 | 16,086 | 15,524 |
| Income from holdings of securities | 2,251 | 4,382 | 6,839 | 14,821 |
| Other income | 3,067 | 4,141 | 4,851 | 5,569 |
| Total | 92,847 | 129,375 | 156,075 | 187,259 |
| Expenditure — | | | | |
| Interest on shares | 18,135 | 24,602 | 28,596 | 38,037 |
| Interest on deposits | 51,785 | 71,619 | 86,312 | 101,226 |
| Interest on loans | 1,663 | 2,011 | 1,673 | 1,590 |
| Other expenditure | 16,421 | 22,896 | 29,758 | 38,155 |
| Total | 88,004 | 121,128 | 146,339 | 179,008 |
| LIABILITIES AND ASSETS *(a)* | | | | |
| Liabilities — | | | | |
| Share capital and reserves — | | | | |
| Non-withdrawable shares | 15,210 | 17,474 | 18,886 | 22,774 |
| Withdrawable shares | 218,779 | 267,830 | 337,725 | 444,118 |
| Statutory reserves | 5,570 | 5,802 | 7,736 | 8,183 |
| Other reserves *(b)* | 6,864 | 9,319 | 11,746 | 14,312 |
| Deposits | 624,896 | 827,549 | 973,733 | 1,222,901 |
| Loans | 27,774 | 21,150 | 22,759 | 21,588 |
| Other liabilities | 6,627 | 8,683 | 9,315 | 10,440 |
| Total | 905,720 | 1,157,807 | 1,381,900 | 1,744,316 |
| Assets — | | | | |
| Amount owing on loans | 697,087 | 904,345 | 1,113,424 | 1,371,054 |
| Cash on hand | 557 | 818 | 813 | 2,236 |
| Deposits with banks | 115,297 | 127,005 | 118,790 | 90,960 |
| Deposits with other institutions | 39,706 | 47,181 | 27,206 | 49,602 |
| Bills, bonds, and other securities | 31,695 | 52,680 | 90,350 | 190,538 |
| Accounts receivable | 4,981 | 4,982 | 3,740 | 3,937 |
| Physical and other assets | 16,397 | 20,796 | 27,577 | 35,989 |
| Total | 905,720 | 1,157,807 | 1,381,900 | 1,744,316 |

*(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 page 281. In recent years, a considerable number of co-operative credit societies which extend credit facilities to members to enable them to finance the purchase of household durables, or to discharge financial liabilities, etc., have also been registered under the Co-operation Act.

VICTORIA—CO-OPERATIVE ORGANISATIONS: PRODUCER AND CONSUMER SOCIETIES

| Particulars | 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 |
| 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; 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 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 |
|---|---|---|---|---|---|
| Number of Societies | 205 | 205 | 205 | 205 | 199 |
| Number of members | 145,895 | 176,066 | 206,955 | 241,026 | 280,228 |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| INCOME AND EXPENDITURE | | | | | |
| Income — | | | | | |
| Interest from loans | 9,513 | 14,165 | 21,031 | 29,019 | 40,142 |
| Interest from deposits | 782 | 1,100 | 1,298 | 1,758 | 3,759 |
| Other income | 279 | 365 | 941 | 1,485 | 1,676 |
| Total | 10,574 | 15,630 | 23,270 | 32,262 | 45,577 |
| Expenditure — | | | | | |
| Interest on deposits | 5,732 | 8,378 | 12,255 | 17,392 | 26,592 |
| Interest on loans | 225 | 320 | 497 | 686 | 617 |
| Interest on wages and salaries | 2,430 | 3,552 | 4,715 | 6,121 | 7,664 |
| Other expenditure | 2,594 | 3,619 | 5,044 | 6,485 | 9,387 |
| Total | 10,981 | 15,869 | 22,511 | 30,684 | 44,260 |
| LIABILITIES AND ASSETS *(a)* | | | | | |
| Liabilities — | | | | | |
| Paid up share capital | 1,305 | 1,591 | 1,865 | 2,192 | 2,566 |
| Statutory reserves | 73 | 97 | 193 | 387 | 638 |
| Other reserves *(b)* | -610 | -776 | -91 | 1,240 | 2,690 |
| Deposits | 98,496 | 139,621 | 192,733 | 265,306 | 395,133 |
| Loans | 4,639 | 5,386 | 7,297 | 8,475 | 8,915 |
| Other liabilities | 991 | 1,431 | 1,246 | 1,683 | 2,143 |
| Total | 104,894 | 147,349 | 203,243 | 279,282 | 412,085 |
| Assets — | | | | | |
| Amount owing on loans *(c)* | 88,935 | 124,845 | 173,929 | 233,191 | 336,639 |
| Cash on hand | 312 | 391 | 519 | 687 | 1,266 |
| Deposits | 9,953 | 15,345 | 18,191 | 30,250 | 54,365 |
| Bills, bonds, and other securities | 2,083 | 1,817 | 4,013 | 7,093 | 6,700 |
| Physical and other assets | 3,612 | 4,952 | 6,591 | 8,062 | 13,115 |
| Total | 104,894 | 147,349 | 203,243 | 279,282 | 412,085 |

*(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 48 registered life offices in Australia and, in addition there are government life offices in New South Wales, Queensland, and South Australia, the latter having begun operations in March 1978.

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

(1) The Australian Insurance Institute—the professional, educational, and examining body associated with both the general and life insurance industries. It co-ordinates the activities of the various State institutes, which include the Insurance Institute of Victoria; and

(2) The Life Insurance Federation of Australia—a 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 1980, life offices held assets in Australia with a value estimated to be in excess of $13,500m. There were 7.7 million policies in force covering about 4.4 million persons for sums insured of $111,000m.

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". 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 their surviving dependants. Superannuation schemes conducted by life offices account for about one-third of total Australian superannuation business.

### *Marketing*

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

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

### *Statistics*

The State-by-State break-down of life insurance figures is not reliable. The figures are distorted by 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.

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

| Class of assets | At end of December— | | | | |
|---|---|---|---|---|---|
| | 1975 | 1976 | 1977 | 1978 | 1979 |
| Fixed assets— | | | | | |
| Property | 1,981.0 | 2,275.4 | 2,542.9 | 2,831.9 | 3,124.8 |
| Furniture | 23.4 | 24.7 | 30.3 | 30.5 | 39.2 |
| Total fixed assets | 2,004.4 | 2,300.1 | 2,573.2 | 2,862.4 | 3,164.0 |
| Loans (excluding advances of premiums)— | | | | | |
| On mortgage— | | | | | |
| Rural | 100.4 | 91.1 | 83.8 | 76.8 | 72.1 |
| Housing | 491.8 | 494.9 | 505.4 | 501.8 | 486.2 |
| Other | 735.2 | 717.8 | 708.7 | 679.3 | 673.6 |
| On policies | 276.2 | 277.4 | 292.0 | 297.0 | 301.5 |
| To controlled companies | 32.5 | 36.9 | 54.3 | 68.2 | 78.3 |
| To building or housing societies | 7.9 | 5.8 | 6.2 | 7.1 | 6.8 |
| Other | 22.0 | 22.9 | 24.9 | 41.6 | 49.3 |
| Total loans | 1,666.1 | 1,646.8 | 1,675.3 | 1,671.8 | 1,667.8 |
| Investments— | | | | | |
| Government securities | 2,063.6 | 2,283.6 | 2,507.8 | 2,706.9 | 2,887.3 |
| Local and semi-governmental securities | 801.6 | 873.5 | 995.5 | 1,121.1 | 1,199.3 |
| Debentures | 720.2 | 760.1 | 755.7 | 800.9 | 827.3 |
| Secured and unsecured notes | 137.2 | 156.4 | 164.5 | 165.9 | 169.8 |
| Preference shares | 85.5 | 81.9 | 69.9 | 69.0 | 70.1 |
| Ordinary shares | 1,399.4 | 1,629.6 | 1,831.5 | 2,075.0 | 2,496.8 |
| Holdings in controlled companies | 66.3 | 70.0 | 76.7 | 127.4 | 125.2 |
| Other | 3.7 | 3.4 | 85.6 | 86.1 | 94.2 |
| Total investments | 5,277.4 | 5,858.5 | 6,487.2 | 7,152.3 | 7,869.9 |

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

| Class of assets | At end of December— 1975 | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|
| Cash— | | | | | |
| On deposit— | | | | | |
| Banks | 20.5 | 12.8 | 0.4 | 0.4 | 0.2 |
| Other | 51.9 | 55.2 | 55.7 | 87.5 | 169.3 |
| On current account and in hand | 6.3 | 6.3 | 6.1 | 12.2 | 51.6 |
| Total cash | 78.6 | 74.3 | 62.2 | 100.1 | 221.1 |
| Total selected assets | 9,026.6 | 9,879.7 | 10,797.9 | 11,786.6 | 12,922.8 |

(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 500).

## *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 a 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)
($'000)

| Year | Premiums received (including single premiums) | Payments | | | |
|---|---|---|---|---|---|
| | | Claims | Surrenders | Annuities and cash bonuses | Total |
| 1974 | 344,235 | 120,996 | 85,994 | 3,210 | 210,200 |
| 1975 | 399,200 | 129,700 | 108,900 | 5,300 | 243,900 |
| 1976 | 428,600 | 139,400 | 126,900 | 4,000 | 270,300 |
| 1977 | 450,700 | 157,900 | 149,600 | 4,300 | 311,800 |
| 1978 | 487,300 | 182,300 | 166,300 | 3,800 | 352,400 |

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

| Particulars | | 1974 | 1975 | 1976 | 1977 | 1978 |
|---|---|---|---|---|---|---|
| Ordinary and industrial business — | | | | | | |
| Number of policies | | 154,146 | 141,519 | 134,221 | 125,857 | 127,953 |
| Sum insured | $m | 1,776.4 | 2,127.2 | 2,410.7 | 2,608.9 | 2,948.1 |
| Annual premiums | $m | 26.6 | 28.5 | 28.9 | 29.0 | 30.9 |
| Superannuation business — | | | | | | |
| Number of policies | | 21,295 | 19,016 | 22,039 | 22,045 | 18,778 |
| Sum insured | $m | 1,740.8 | 1,924.7 | 2,190.4 | 2,145.2 | 2,152.3 |
| Annual premiums | $m | 41.0 | 52.8 | 49.6 | 55.5 | 55.3 |
| All combined — | | | | | | |
| Number of policies | | 175,441 | 160,535 | 156,260 | 147,902 | 146,731 |
| Sum insured | $m | 3,517.2 | 4,051.9 | 4,601.1 | 4,754.1 | 5,100.4 |
| Annual premiums | $m | 67.6 | 81.3 | 78.5 | 84.5 | 86.2 |

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

Sums insured under new policies issued during 1978 averaged $23,040 for non-superannuation business.

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

| Cause of discontinuance | 1976 | | 1977 | | 1978 | |
|---|---|---|---|---|---|---|
| | 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 | 9,614 | 25.9 | 9,139 | 26.5 | 8,958 | 29.5 |
| Maturity, expiry, etc | 63,702 | 132.7 | 59,310 | 155.4 | 55,695 | 187.8 |

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

| Cause of discontinuance | 1976 Number of policies | 1976 Sum insured | 1977 Number of policies | 1977 Sum insured | 1978 Number of policies | 1978 Sum insured |
|---|---|---|---|---|---|---|
| | | ($m) | | ($m) | | ($m) |
| Surrender | 92,069 | 517.8 | 90,196 | 608.9 | 95,422 | 771.8 |
| Forfeiture | 25,597 | 296.8 | 26,044 | 344.2 | 28,790 | 448.4 |
| Other *(b)* | 14,463 | 354.8 | 6,903 | 24.5 | -8,695 | -169.9 |
| Total | 205,445 | 1,328.0 | 191,592 | 1,159.5 | 180,170 | 1,267.6 |
| Superannuation business — | | | | | | |
| Death or disability | 471 | 15.2 | 382 | 15.5 | 507 | 21.8 |
| Maturity, expiry, etc. | 1,320 | 92.1 | 1,295 | 77.6 | 1,698 | 138.4 |
| Surrender | 7,922 | 641.6 | 7,504 | 782.6 | 7,925 | 866.2 |
| Forfeiture | 970 | 20.7 | 1,279 | 30.7 | 1,197 | 30.8 |
| Other *(b)* | 2,797 | 347.5 | 3,793 | 126.1 | 2,637 | 335.4 |
| Total | 13,480 | 1,117.1 | 14,253 | 1,032.5 | 13,964 | 1,392.6 |
| All combined — | | | | | | |
| Death or disability | 10,085 | 41.1 | 9,521 | 42.0 | 9,465 | 51.3 |
| Maturity, expiry, etc. | 65,022 | 224.8 | 60,605 | 233.0 | 57,393 | 326.2 |
| Surrender | 99,991 | 1,159.4 | 97,700 | 1,391.5 | 103,347 | 1,638.0 |
| Forfeiture | 26,567 | 317.5 | 27,323 | 374.9 | 29,987 | 479.2 |
| Other *(b)* | 17,260 | 702.3 | 10,696 | 150.6 | -6,058 | 165.5 |
| Total | 218,925 | 2,445.1 | 205,845 | 2,192.0 | 194,134 | 2,660.2 |

*(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 | | 1974 | 1975 | 1976 | 1977 | 1978 |
|---|---|---|---|---|---|---|
| Ordinary and industrial business— | | | | | | |
| Number of policies | | 2,161,714 | 2,106,923 | 2,035,699 | 1,969,964 | 1,917,747 |
| Sum insured | $m | 9,886.0 | 11,120.6 | 12,203.2 | 13,652.6 | 15,333.1 |
| Annual premiums | $m | 207.8 | 219.6 | 226.2 | 232.9 | 239.6 |
| Superannuation business— | | | | | | |
| Number of policies | | 114,040 | 111,876 | 120,434 | 128,226 | 133,040 |
| Sum insured | $m | 5,126.8 | 6,058.4 | 7,131.9 | 8,244.6 | 9,004.3 |
| Annual premiums | $m | 129.7 | 162.6 | 185.7 | 212.1 | 230.9 |
| All combined— | | | | | | |
| Number of policies | | 2,275,754 | 2,218,799 | 2,156,133 | 2,098,190 | 2,050,787 |
| Sum insured | $m | 15,012.8 | 17,179.0 | 19,335.1 | 21,897.2 | 24,337.4 |
| Annual premiums | $m | 337.5 | 382.2 | 411.9 | 445.0 | 470.5 |

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

The average size of the sum insured under a non-superannuation policy in 1978 was $7,995.

## General insurance

### *Introduction*

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

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

As the body representing the general insurance industry, the Insurance Council of Australia Limited (I.C.A.) has the task of ensuring that governments and the community are fully aware of the industry's contribution to the financial and social well-being of society.

The I.C.A. has two principal roles: it represents the interests of the general insurance industry in Australia and it provides statistical, technical, and other services to the industry.

The main areas in which the I.C.A. represents the general insurance industry are in dealings with governments, other trade and business organisations, and with consumers. The I.C.A. seeks to provide effective representation for members to Commonwealth, State, and local governments, public authorities, the media, consumer bodies, other trade associations, and individuals in all matters of collective concern, except industrial relations.

To help cope with natural and other disasters, I.C.A. in association with the Chartered Institute of Loss Adjusters and the Council of Loss Adjusters of Australia, has set up the Insurance Emergency Service (I.E.S.). The I.E.S. is intended to speed up the processing of insurance claims in the event of a major disaster. Government and semi-government bodies concerned with the mitigation of disasters have recognised the importance of the role of the I.E.S. following a catastrophe.

The general insurance market in Victoria is organised as follows:
(1) Fire, marine, and general insurance companies (of which the majority are members of I.C.A.); (2) representatives of Lloyds insurance brokers; (3) Victorian Government insurance offices; (4) independent private brokers; and (5) local representatives of overseas reinsurance companies.

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

VICTORIA—TYPES OF GENERAL INSURANCE POLICIES

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

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

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

*Statistics*

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

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

The statistics have been compiled on the following basis:
(1) Premiums are the total amounts received and receivable during the year for policies issued and renewed, after deduction of stamp duty, returns of premium and rebates, and bonuses paid or credited to policyholders;
(2) claims consist of payments during the year plus the estimated amount of claims unsettled at the end of the year, less the estimated amount of claims unsettled at the beginning of the year; and

(3) contributions to fire brigades, commission and agents' charges, and expenses of management are charges paid during the year.

It should be noted that the figures shown for premiums are different from the premium income earned by insurers during the year, as no adjustment is made for premiums unearned at the beginning and end of the year. When, as in recent years, the premium volume is increasing, the figures in the tables are greater than the premiums earned by insurers and the amount of the difference is often substantial. For this reason, the relationship of claims and other charges to premiums should be used only as a basis of comparison with ratios calculated under similar headings in previous years.

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

## VICTORIA—GENERAL INSURANCE
($'000)

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

*(a)* Excludes taxation, etc.

### Motor vehicle insurance (compulsory third party)

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

VICTORIA—MOTOR VEHICLE INSURANCE (COMPULSORY THIRD PARTY): NUMBER OF MOTOR VEHICLES INSURED, 1978–79

| Class of motor vehicle | Motor cars usually garaged— Within a radius of 32.187 kilometres of the G.P.O., Melbourne | Motor cars usually garaged— Outside a radius of 32.187 kilometres of the G.P.O., Melbourne | Total |
|---|---|---|---|
| Private and business | 972,097 | 604,029 | 1,576,126 |
| Goods carrying | 119,839 | 177,581 | 297,420 |
| Hire | 3,991 | 3,416 | 7,407 |
| Hire and drive yourself | 2,394 | 686 | 3,080 |
| Passenger transport | 1,259 | 1,455 | 2,714 |
| Miscellaneous | 11,235 | 56,372 | 67,607 |
| Motor cycle | 21,096 | 26,685 | 47,781 |
| Recreation vehicles | 580 | 671 | 1,251 |
| Total | 1,132,491 | 870,895 | 2,003,386 |

### 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 1975–76 to 1979–80 are shown in the following table:

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

| Particulars | 1975–76 | 1976–77 | 1977–78 | 1978–79 | 1979–80 |
|---|---|---|---|---|---|
| Gross premium | 183,172 | 230,421 | 275,877 | 240,887 | 281,723 |
| Net earned premium | 138,077 | 178,065 | 259,497 | 261,548 | 279,492 |
| Investment income | 18,102 | 29,485 | 46,847 | 64,938 | 85,250 |
| Net claims | 140,504 | 178,991 | 229,946 | 273,894 | 328,689 |
| Expenses and commission | 4,534 | 9,025 | 14,723 | 18,914 | 15,711 |
| Underwriting profit (loss) | -6,961 | -9,952 | 14,828 | -31,260 | -64,908 |
| Net profit (loss) | 11,141 | 19,534 | 61,675 | 33,678 | 20,342 |
| Underwriting reserves | 336,228 | 351,237 | 603,842 | 721,915 | 935,518 |
| Other reserves | -37,138 | -18,004 | 28,671 | 46,422 | 52,471 |

## 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 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---|---|---|---|---|---|
| Proceeds of realisations, rents, interest, etc. | 31,120 | 37,484 | 41,094 | 45,655 | 54,010 |
| Investments, distributions, claims, etc. | 23,868 | 30,453 | 34,467 | 33,889 | 41,995 |
| Cash variation | 7,252 | 7,031 | 6,627 | 11,766 | 12,015 |
| Balance at 1 July | 42,762 | 50,014 | 57,045 | 63,672 | 75,438 |
| Balance at 30 June | 50,014 | 57,045 | 63,672 | 75,438 | 87,453 |

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 |
|---|---|---|
| 1975-76 | 1,206 | 3,682 |
| 1976-77 | 1,338 | 3,278 |
| 1977-78 | 1,296 | 2,780 |
| 1978-79 | 1,194 | 2,851 |
| 1979-80 | 1,108 | 2,783 |

### 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 | 1976 | 1977 | 1978 | 1979 | 1980 |
|---|---|---|---|---|---|
| Stock and debentures | 185.0 | 148.4 | 118.3 | 102.4 | 97.7 |
| Advances on mortgages | 126.8 | 147.8 | 158.9 | 179.5 | 204.5 |
| Real estate | 116.1 | 145.7 | 154.4 | 157.5 | 142.8 |
| Shares | 205.4 | 203.6 | 207.9 | 246.5 | 296.6 |
| Fixed and other deposits | 54.9 | 68.0 | 56.5 | 67.4 | 70.7 |
| Cash at bank | 8.9 | 6.9 | 30.7 | 37.2 | 31.7 |
| Other | 36.3 | 40.7 | 28.9 | 33.3 | 38.8 |
| Total | 733.4 | 761.1 | 755.6 | 823.8 | 882.8 |

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 |
|---|---|---|---|---|
| 1975 | 56,349 | 658 | 132 | 57,139 |
| 1976 | 58,808 | 784 | 292 | 59,884 |
| 1977 | 66,100 | 842 | 228 | 67,170 |
| 1978 | 56,084 | 1,063 | 369 | 57,516 |
| 1979 | 54,628 | 810 | 328 | 55,766 |

*Land transfers, mortgages, etc.*

A summary of dealings lodged at the Titles Office under the Transfers of Land Act is shown under the following table for the years 1974-75 to 1978-79:

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

| Year | Number of transfers | Mortgages (a) | | Number of— | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Number | Amount | Entries of executor, adminis-trator, or survivor | Plans of sub-division | Caveats | Other dealings | Total dealings |
| | | | $'000 | | | | | |
| 1974-75 | 128,301 | 73,211 | 1,408,914 | 17,711 | 5,478 | 27,378 | 115,279 | 367,358 |
| 1975-76 | 155,435 | 75,008 | 1,613,032 | 16,885 | 6,017 | 28,476 | 138,569 | 420,390 |
| 1976-77 | 156,611 | 83,965 | 2,046,284 | 17,546 | 7,789 | 34,525 | 136,077 | 436,513 |
| 1977-78 | 134,459 | 83,723 | 2,223,317 | 17,801 | 7,194 | 41,975 | 127,719 | 412,871 |
| 1978-79 | 127,314 | n.y.a. | n.y.a. | 18,541 | 6,795 | 35,876 | 138,233 | n.y.a. |

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

### VICTORIA—DEALINGS UNDER THE PROPERTY LAW ACT

| Year | Mortgages (a) | | Reconveyances | | Conveyances | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount (b) | Number | Amount |
| | | $'000 | | $'000 | | $'000 |
| 1974-75 | 971 | 28,866 | 1,817 | 7,209 | 3,541 | 63,120 |
| 1975-76 | 1,407 | 35,268 | 1,929 | 7,274 | 3,703 | 71,499 |
| 1976-77 | 1,176 | 33,227 | 2,025 | 14,340 | 3,798 | 96,148 |
| 1977-78 | 1,201 | 49,040 | 1,976 | 10,037 | 3,877 | 91,794 |
| 1978-79 | n.y.a. | n.y.a. | 1,981 | (c) | 3,384 | (c) |

(a) Excluding certain mortgages, principally to trading banks to secure overdrafts on current accounts.
(b) Excluding repayments designated "principal and interest".
(c) These figures are no longer available.

*Mortgages of real estate*

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

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

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

| Type of mortgagee | 1975-76 | | 1976-77 | | 1977-78 | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| | | $'000 | | $'000 | | $'000 |
| Banks | 34,525 | 626,347 | 37,002 | 739,697 | 35,016 | 763,029 |
| Building societies | 11,296 | 239,986 | 12,187 | 290,937 | 13,030 | 344,081 |
| Co-operative housing societies | 3,278 | 55,473 | 3,028 | 59,597 | 3,114 | 70,293 |
| Friendly societies | 99 | 1,650 | 225 | 4,953 | 264 | 5,915 |
| Insurance companies | 1,149 | 47,735 | 1,615 | 71,202 | 1,754 | 82,769 |

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

| Type of mortgagee | 1975–76 | | 1976–77 | | 1977–78 | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| | | $'000 | | $'000 | | $'000 |
| 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 1975 to 1979 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 | 1975 | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|
| Stock mortgages— | | | | | |
| Number | 587 | 344 | 268 | 298 | 404 |
| Amount ($'000) | 906 | 1,215 | 602 | *(a)* | *(a)* |
| Liens on wool— | | | | | |
| Number | 12 | 11 | 15 | 10 | 4 |
| Amount ($'000) | 231 | 75 | 43 | *(a)* | *(a)* |
| Liens on crops— | | | | | |
| Number | 105 | 120 | 131 | 204 | 82 |
| Amount ($'000) | 763 | 602 | 1,011 | *(a)* | *(a)* |
| Total— | | | | | |
| Number | 704 | 475 | 414 | 512 | 490 |
| Amount ($'000) | 1,900 | 1,892 | 1,656 | *(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 1975 to 1979:

VICTORIA—BILLS OF SALE

| Security | 1975 | 1976 | 1977 | 1978 | 1979 |
|---|---|---|---|---|---|
| Bills of sale— | | | | | |
| Number | 22,139 | 29,127 | 29,729 | 28,845 | 34,675 |
| Amount ($'000) | 65,896 | 95,211 | 115,714 | *(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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Housing finance for owner occupation (monthly) (5609.0)
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Instalment credit for retail sales (monthly) (5631.0)
Life insurance (annual) (5622.0)
Life insurance (monthly) (5621.0)
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