



Caravan Parks

Short-term caravan parks accounted for 72.6% of all caravan establishments in Victoria in 1994-95; 79.4% of all caravan sites for tourists and 69.2% of all accommodation takings from caravan parks.

TABLE 14.13 CARAVAN PARKS: OPERATIONAL DETAILS, VICTORIA, 1994-95

	Unit	Quarter			
		September	December	March	June
Short term -					
Establishments	no.	438	436	435	434
Sites for tourists	no.	53 831	53 377	53 307	53 195
Takings	\$'000	10 602	14 503	17 781	10 670
Occupancy rates	%	34.9	39.6	46.8	38.5
Total -					
Establishments	no.	602	600	599	598
Sites for tourists	no.	67 693	67 213	67 118	66 977
Takings	\$'000	16 238	20 509	24 069	16 557
Occupancy rates	%	36.6	40.6	46.7	39.8

Source: *Tourist Accommodation, Victoria* (8635.2)

REFERENCES**Data sources**

Most of the tourism statistics are from the Bureau of Tourism Research. Other tourism data are from the National Accounts, Overseas Arrivals and Departures, and the Housing Population Census.

Tourist accommodation statistics are derived from the quarterly ABS Accommodation Survey. The survey covers hotels, motels and guest houses with facilities, short and long term caravan parks; and from the September quarter 1987, holiday flats, units, and houses. Data collected includes the number of establishments, available capacity, room occupancy rates, bed occupancy rates, and takings from accommodation. Types of accommodation surveyed include hotels, motels, and guest houses with facilities; caravan parks; and holiday flats, units, and houses. Visitor hostels were added from the September quarter 1991.

The star grading of hotels and motels with facilities is based on the classification system used by members of the Australian Automobile Association. The gradings are allocated according to a points system based on amenities and facilities available to guests at the time of inspection. The highest classification of 'five-star' is assigned to international style establishments offering a superior range of apartments, furnishings and decor, with an extensive range of first class services. These include a choice of room styles and dining facilities, twenty-four hour room service, and additional shopping and recreational facilities.

ABS publications

- Overseas Arrivals and Departures, Australia* (3401.0)
- Balance Of Payments, Australia* (5303.0)
- Household expenditure Survey, Australia: States and Territories* (6533.0)
- Tourist Accommodation, Australia* (8635.0)
- Tourist Accommodation, Victoria* (8635.2)

Non-ABS sources

- Bureau of Tourism Research, International Visitor Survey

Introduction

This chapter provides an overview of the public and private finance sectors in Victoria. Areas analysed include government finance statistics, State and local government finance, Commonwealth and State financial relations, the Australian financial system, banks, and non-bank financial institutions.

PUBLIC FINANCE

Overview

Three levels of government, Commonwealth, State, and Local, collectively constitute the public sector in Australia. The public finance statistics in this chapter cover the Victorian State government and local government components of the non-financial public sector, classified according to the government finance statistics framework.

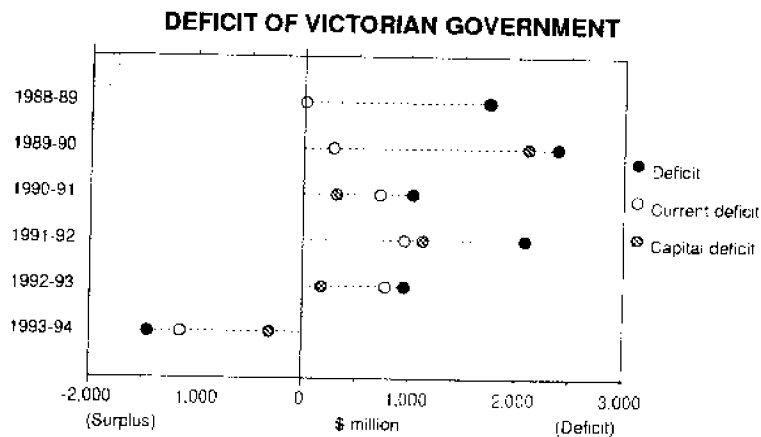
The Victorian State government and local government enterprises include the central government of Victoria, statutory bodies created by or under State legislation to carry out activities on behalf of the central government, incorporated organisations in which the central government has a controlling interest, and local government authorities.

State government finance

In 1993-94, the overall financial position of the Victorian State Government was reflected in a surplus of \$1,449 million, an improvement from the 1992-93 deficit of \$956 million. Total current and capital outlays decreased by \$1,217 million to \$17,064 million, whereas total revenue and grants received increased by \$1,292 million to \$17,710 million. The net financing requirement was -\$1,146 million, compared to a net financing requirement the previous year of \$1,538 million.

Outlays

Current outlays in 1993-94 were \$16,440 million, which was a decrease of 3% from the previous year. The largest component of this outlay was final consumption expenditure (\$9,569 million), followed by interest payments (\$3,522 million). Capital outlays in 1993-94 were \$623 million, a decrease of 54% from 1992-93. Gross fixed capital expenditure was \$2,179 million, an increase of 42%.



Source: *Government Finance Statistics, Australia* (5512.0)

TABLE 15.1 ECONOMIC TRANSACTIONS OF VICTORIAN STATE GOVERNMENT

				\$m		
	Gross current expenditure	8 782	9 492	10 227	10 890	11 294
<i>less</i>	Sales of goods and services (a)	1 022	1 124	1 224	1 301	1 422
<i>equals</i>	Final consumption expenditure	7 760	8 367	9 003	9 589	9 872
	Interest payments	2 935	3 256	3 665	3 767	3 704
	Subsidies paid to public trading enterprises	876	917	976	955	998
	Current grants to other governments	314	333	337	409	419
	Other transfer payments	1 201	1 309	1 286	1 625	1 946
<i>Total current outlays</i>		13 086	14 183	15 267	16 345	16 940
	Expenditure on new fixed assets	2 963	3 242	2 718	2 454	2 528
<i>plus</i>	Expenditure on secondhand assets (net)	-306	-296	-277	-158	-991
<i>equals</i>	Gross fixed capital expenditure	2 657	2 947	2 440	2 296	1 536
	Expenditure on land and intangible assets (net)	-101	61	-7	-21	-30
	Capital grants to other governments	51	54	57	22	27
	Other capital outlays	57	30	-763	-155	-192
<i>Total capital outlays</i>		2 665	3 091	1 727	2 143	1 341
Total outlays		15 750	17 274	16 994	18 488	18 281
	Taxes, fees and fines	4 981	5 274	5 634	6 001	6 502
	Net operating surplus of public trading enterprises	1 638	1 742	1 882	2 059	2 246
	Interest received	324	367	307	235	216
	Grants received -	5 757	6 074	6 823	6 727	7 003
	for own use	4 565	4 831	5 466	5 202	5 403
	for onpassing	1 192	1 243	1 357	1 525	1 600
	Other revenue	503	499	347	456	451
Total revenue		13 202	13 956	14 992	15 479	16 418
	Increase in provisions -	808	936	972	925	907
	for depreciation	627	728	826	890	989
	other	181	208	147	36	-83
	Advances received (net)	-9	-82	-731	-689	-582
	Borrowing (net)	1 544	2 096	2 384	3 045	3 231
	Other financing transactions	205	369	-623	-272	-1 693
Total financing (b)		2 548	3 319	2 002	3 008	1 863
	Current deficit	14	275	721	957	779
	Capital deficit	1 726	2 108	309	1 126	178
Total deficit (c)		1 740	2 383	1 030	2 083	956
Net financing requirement (d)		1 749	2 465	1 761	2 773	-1 146

(a) Sales of goods and services represents the value of current general government output sold to other public and private bodies.

(b) Financing is a measure of the means by which governments finance net outlays or invest net surpluses. It is the difference between total outlays (current and capital) and revenue and grants received.

(c) Deficit/surplus comprises financing less increase in provisions.

(d) Net financing requirement comprises deficit/surplus less net advances.

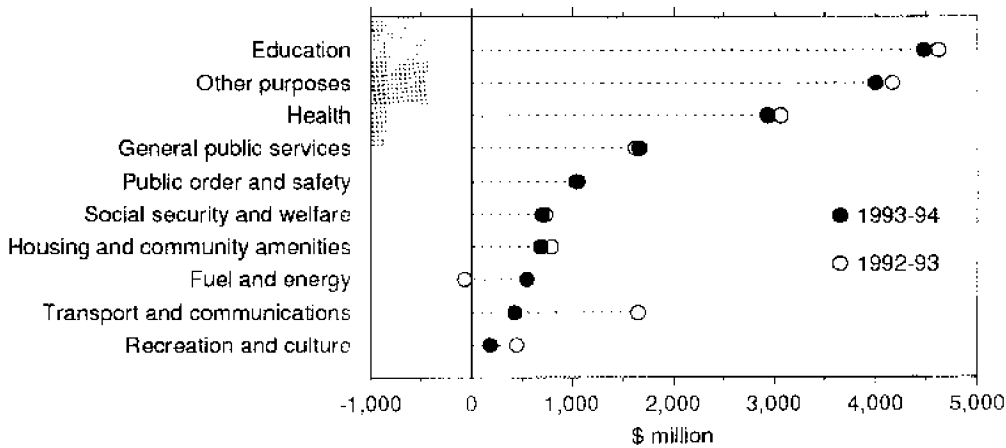
Source: *Government Finance Statistics, Australia* (5512.0)

TABLE 15.2 VICTORIAN STATE GOVERNMENT - TOTAL OUTLAYS BY PURPOSE

	\$m					
General public services	814	926	1 000	1 226	1 625	1 661
Public order and safety	819	923	998	1 010	1 035	1 051
Education	3 963	4 177	4 312	4 614	4 614	4 474
Primary and secondary education	2 501	2 640	2 698	2 891	2 847	2 743
Tertiary education -	1 149	1 198	1 306	1 408	1 457	1 466
University education	729	737	821	900	943	958
Technical and further education	414	455	471	500	514	508
Other education	313	339	308	315	310	265
Health	2 506	2 737	2 966	3 065	3 063	2 928
Hospital and other institutional services	2 215	2 404	2 619	2 708	2 678	2 518
Clinics and other non-institutional services	118	123	141	151	180	185
Other health	173	209	206	206	206	224
Social security and welfare	493	544	581	647	729	698
Welfare services	388	432	475	513	580	511
Other social security and welfare	105	112	106	135	149	187
Housing and community amenities	776	991	945	899	787	684
Housing and community development	406	459	463	463	432	310
Water supply	98	210	162	153	92	102
Sanitation and protection of the environment	271	321	320	268	237	246
Other community amenities	1		1	15	26	25
Recreation and culture	387	431	373	408	444	181
Recreational facilities and services	280	313	265	282	321	38
Cultural facilities and services	103	114	105	122	118	140
Other recreation and culture	4	4	3	4	4	4
Fuel and energy	886	1 045	614	553	-75	548
Agriculture, forestry, fishing, and hunting	207	218	224	217	212	209
Mining, manufacturing, construction etc	63	62	34	48	-121	26
Transport and communications	1 630	1 691	1 579	1 607	1 650	421
Road transport	775	774	749	753	838	-374
Water transport	18	35	44	27	-1	14
Rail and multi-mode transport	816	868	775	810	810	775
Other transport and communications	21	14	11	16	4	6
Other economic affairs	101	95	120	320	153	188
Other purposes	3 104	3 435	3 248	3 874	4 164	3 995
Public debt	2 938	3 259	3 824	3 629	3 725	3 525
Other	166	176	-576	245	439	470
Total	15 750	17 274	16 994	18 487	18 281	17 064

Source: *Government Finance Statistics, Australia* (5512.0)

VICTORIAN GOVERNMENT - OUTLAYS BY PURPOSE



Source: *Government Finance Statistics, Australia* (5512.0)

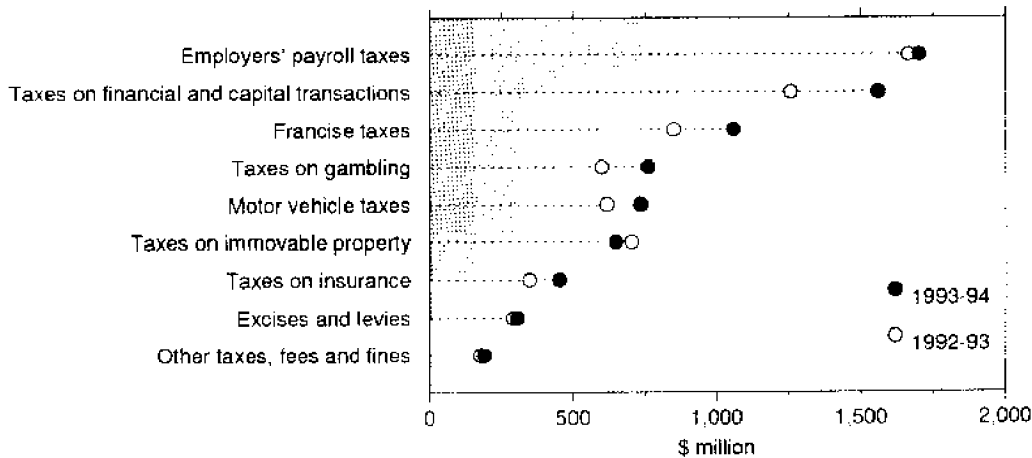
Revenue

Revenue, including grants, received by the State government in 1993-94 was \$17,710 million, an 8% increase on 1992-93. The main components were taxes, fees, and fines (42%), and grants received from the Commonwealth Government (40%).

Taxes, fees and fines

Taxes, fees and fines increased 14% on 1992-93. The largest components were taxes on property (30%), and taxes on use of goods and performance of activities (24%). Poker machine taxes increased 173% on 1992-93, petroleum products franchise taxes increased by 34%, and taxes on financial institutions increased by 32%.

VICTORIAN GOVERNMENT - TAXES LEVIED



Source: *Taxation Revenue, Australia* (5506.0)

TABLE 15.3 VICTORIAN STATE GOVERNMENT - TAXES, FEES, AND FINES BY TYPE

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94
	\$m					
Employers' payroll taxes	1 406	1 554	1 742	1 761	1 664	1 702
Taxes on property	1 685	1 563	1 571	1 679	1 962	2 208
Taxes on immovable property	266	346	459	515	705	648
Land taxes	230	307	416	465	481	409
Metropolitan improvement rates	36	39	43	50	51	58
Taxes on immovable property n.e.c.	-	-	-	-	173	181
Estate inheritance and gift duty	1	1	-	-	-	-
Taxes on financial and capital transactions	1 419	1 216	1 111	1 163	1 256	1 560
Stamp duties	1 260	1 033	787	754	847	1 020
Financial institutions' taxes	159	183	325	409	410	540
Taxes on provision of goods and services	893	1 010	1 040	1 080	1 240	1 519
Excises and levies	228	254	243	258	292	305
Agricultural production taxes	1	1	-	-	-	-
Levies on statutory corporations	227	253	243	258	292	305
Taxes on gambling	412	482	502	513	601	761
Taxes on private lotteries	234	279	300	300	290	286
Poker machine taxes	-	-	-	-	95	259
Race betting taxes	172	195	187	192	198	202
Taxes on gambling n.e.c.	6	7	15	21	17	14
Taxes on insurance	253	274	295	308	348	453
Insurance company contributions to fire brigades	122	135	149	160	164	162
Third party insurance taxes	-	-	-	-	4	59
Taxes on insurance n.e.c.	131	139	147	148	181	232
Taxes on use of goods and performance of activities	919	1 058	1 154	1 304	1 475	1 804
Motor vehicle taxes	419	432	396	506	618	735
Vehicle registration fees and taxes	146	120	122	229	311	375
Stamp duty on vehicle registration	219	248	206	196	223	260
Drivers' licences	52	59	64	76	77	90
Road transport and maintenance taxes	2	4	5	5	6	10
Franchise taxes	494	618	753	793	851	1 060
Petroleum products franchise taxes	228	295	352	372	350	470
Tobacco franchise taxes	152	204	252	268	360	446
Liquor franchise taxes	114	120	149	153	140	144
Other taxes on use of goods etc	6	7	6	5	7	9
Fees and fines	78	90	127	178	169	180
Compulsory fees	25	25	49	50	50	58
Fines	52	66	78	127	119	122
Total	4 981	5 274	5 634	6 001	6 510	7 414

Source: *Taxation Revenue, Australia* (5506.0)

Local government finance

In 1993-94, the overall financial position of Victorian local government was reflected in a surplus of \$161 million, after recording a deficit of \$26 million in 1992-93.

Total current and capital outlays for Victorian local governments in 1993-94 were \$2,086 million, a 9% decrease on 1992-93. Final consumption expenditure was \$1,468 million, a decrease of 8%. Gross fixed capital expenditure was \$494 million, a decrease of 10%.

The greatest outlays were on transport and communications (26%), recreation and culture (18%) and administration (16%). Other areas of significant expenditure included housing and community amenities (13%) and social security and welfare (13%).

Local government revenue in 1993-94 was \$2,236 million, a 1% decrease from 1992-93. Taxes, fees, and fines made up 69% of total revenue.

TABLE 15.4 ECONOMIC TRANSACTIONS OF VICTORIAN LOCAL GOVERNMENT

	\$m					
	1 658	1 844	2 017	2 064	2 211	2 100
<i>less</i> Sales of goods and services	526	531	602	589	614	632
<i>equals</i> Final consumption expenditure	1 132	1 313	1 415	1 475	1 597	1 468
Interest payments	150	167	190	123	127	111
Other transfer payments	31	34	38	27	-	-
Total current outlays	1 314	1 514	1 643	1 624	1 723	1 579
Gross fixed capital expenditure	362	451	367	347	551	494
Expenditure on land and intangible assets (net)	9	11	8	10	24	12
Other capital outlays	-5	-6	-4	-7	-	-
Total capital outlays	365	457	371	351	575	506
Total outlays	1 679	1 970	2 014	1 975	2 299	2 086
Taxes, fees and fines	1 135	1 239	1 392	1 362	1 493	1 538
Net operating surplus of public trading enterprises	30	46	69	52	50	50
Interest received	126	143	112	84	111	100
Grants received	403	423	432	495	603	544
Other revenue	56	61	58	50	4	4
Total revenue	1 751	1 913	2 063	2 043	2 262	2 236
increase in provisions -	8	10	11	12	11	11
for depreciation	7	9	10	11	11	11
Borrowing (net)	43	123	64	68	-100	-104
Other financing transactions	-118	-70	-124	-147	121	-63
Total financing (a)	-72	58	-50	-67	37	-150
Current deficit	-343	-305	-322	-363	-422	-606
Capital deficit	263	353	262	284	448	445
Total deficit (b)	-80	48	-61	-79	26	-161
Net financing requirement (c)	-75	52	-60	-79	21	-167

(a) Financing is a measure of the means by which governments finance net outlays or invest net surpluses. It is the difference between total outlays (current and capital) and revenue and grants received.

(b) Deficit/surplus comprises financing less increase in provisions.

(c) Net financing requirement comprises deficit/surplus less net advances.

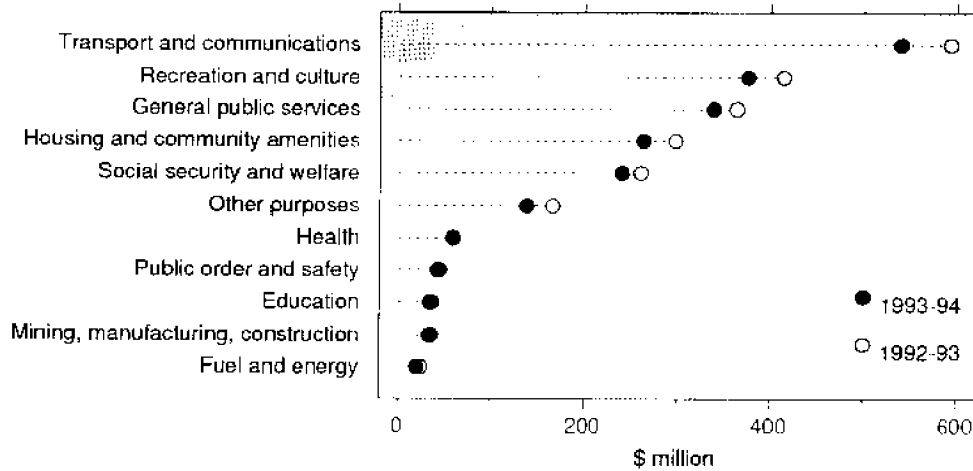
Source: *Government Finance Statistics, Australia* (5512.0)

TABLE 15.5 VICTORIAN LOCAL GOVERNMENT - TOTAL OUTLAYS BY PURPOSE

	\$m					
General public services	343	399	404	421	364	339
Public order and safety	34	39	41	43	44	42
Education	25	29	29	30	36	34
Health	58	66	71	72	63	59
Social security and welfare	164	188	205	226	261	241
Housing and community amenities	197	232	254	252	298	264
Housing and community development	39	48	55	53	67	56
Sanitation and protection of the environment	112	129	146	139	180	160
Other community amenities	46	54	54	59	50	47
Recreation and culture	296	334	323	327	414	376
Recreational facilities and services	204	231	219	220	303	272
Cultural facilities and services	88	99	99	104	112	104
Other recreation and culture	4	5	4	4	-	-
Fuel and energy	30	32	30	20	24	20
Agriculture, forestry, fishing, and hunting	2	2	2	2	1	1
Mining, manufacturing, construction etc	30	32	35	32	35	33
Transport and communications	404	458	439	457	593	540
Other economic affairs	45	58	45	49	46	38
Other purposes	51	101	135	43	119	99
Total	1 679	1 970	2 014	1 975	2 299	2 086

Source: *Government Finance Statistics, Australia* (5512.0)

VICTORIAN LOCAL GOVERNMENT - OUTLAYS BY PURPOSE



Source: *Government Finance Statistics, Australia* (5512.0)

Public sector financial assets and liabilities

Public sector financial asset and liability statistics show the stock of financial assets and liabilities of the non-financial public sector at the end of the fiscal year, whereas government finance statistics show the transactions (flows) undertaken by the non-financial public sector during the year. The statistics encompass deposits made or held by Victorian State and local governments, equity and non-equity assets and liabilities, and all lending and borrowing undertaken by those governments.

The financial liabilities of the Victorian State and local governments were \$38,523 million at 30 June 1994. Offset against this amount are financial assets of \$6,639 million, giving a net debt of \$31,885 million.

Financial assets cover the financial claims of the non-financial public sector on other organisations (including other government authorities and overseas organisations) and households. They exclude shares and other equity, and financial assets related to trade credit and accounts receivable. Financial assets are shown before deduction of provisions for doubtful debts.

Liabilities include all financial claims on the non-financial public sector, except contingent liabilities, liabilities related to trade credit and other accounts payable. They include lease liabilities under finance leases or similar arrangements, and repayable amounts held as security deposits.

Monies held on trust (excluding employee superannuation contributions) are included both as assets and liabilities of government. Coin on issue is not included as a liability of government.

Unfunded employee entitlements

Liabilities for unfunded employee entitlements are the accrued liability of employers to pay future benefits to employees including superannuation, sick leave paid on resignation or retirement, recreation leave, long service leave, workers compensation (where the benefits are paid by the employer and not by a separate insurer) and accrued salaries and wages. Liabilities are 'unfunded' if money has not been paid into a separately constituted fund to provide for their future payment.

TABLE 15.6 FINANCIAL ASSETS AND LIABILITIES OF VICTORIAN STATE AND LOCAL GOVERNMENTS

Item	1992-93	
		\$m
Liabilities -		
Deposits held	83	341
Advances received	4 207	3 606
Other borrowings	34 639	34 576
Gross debt	38 929	38 523
Financial assets -		
Cash and deposits	1 709	1 669
Advances paid	744	524
Other lending	4 583	4 446
Total cash, deposits, and lending	7 036	6 639
Net debt	31 893	31 885
Unfunded employee entitlements	20 962	17 042

Source: *Public Sector Financial Assets and Liabilities, Australia* (5513.0)

Commonwealth-State financial relations

The major institutions that assist in the management of Commonwealth funding to State and Territory governments, and local government are: the Premiers' Conference, the Australian Loan Council, the Council of Australian Governments, the Commonwealth Grants Commission, and local government grants commissions.

Premiers' Conference

The annual Premiers' Conference determines the total amount of general revenue assistance, and the share for each State and the Territories. Although these payments are at the Commonwealth's discretion, they are subject to negotiation between the Commonwealth and States at the Conference.

The Premiers' Conference was held on 11 April 1995, prior to the Commonwealth Government bringing down its 1995-96 budget on 9 May 1995. The Conference was assisted by the preparation and release of the National Fiscal Outlook (NFO) for 1995. The NFO presents medium-term projections of Commonwealth and State general government finances based on policy settings as at January 1995.

Australian Loan Council

The Loan Council has responsibility for determining the annual borrowing programs of the Commonwealth and State Governments. In February 1994, a new Financial Agreement was signed by the Council of Australian Governments, which redefined the Loan Council's role. Under the new Agreement, the Loan Council has the power to make resolutions on the borrowings, raisings, and other financial arrangements of governments. At its meeting of 11 April 1995 the Loan Council considered the 1995-96 Loan Council Allocations nominated by the Commonwealth and each State.

Council of Australian Governments

At the Council of Australian Governments meeting on 11 April 1995 the Commonwealth and the States agreed to a program for the implementation of the National Competition Policy and related reforms, and to a related set of financial arrangements. The Commonwealth commitment is on the basis that the financial arrangements will need to be reviewed if Australia experiences a major deterioration in its economic circumstances. As part of the financial arrangements, the Commonwealth agreed to maintain the real per capita guarantee of the Financial Assistance Grants (FAGs) pool on a rolling three year basis. Local government will also benefit from the decision as a consequence of the link between the State and local government FAGs. The Commonwealth also agreed to make additional general purpose payments in the form of a series of Competition Payments.

Commonwealth Grants Commission

The Commonwealth Grants Commission makes recommendations to the Commonwealth on the distribution of financial assistance grants and hospital grants across the states. The Grants Commission does this using per capita relativities, which it calculates after analysing each state's pattern of expenditure and revenues. Each state's relativity is expressed as its need for general revenue assistance relative to the Australian average.

Victoria Grants Commission

The principal role of the Victoria Grants Commission is to determine the allocation of general revenue grants provided by the Commonwealth Government to the State for distribution to local government in Victoria. Commonwealth legislation sets out how the total allocations are to be determined and lays down a basic framework within which the local government grants commissions of the states make their determinations. State legislation establishes the Victoria Grants Commission.

Commonwealth financial assistance

Commonwealth payments to the State and Territory governments may be classified under two main headings - general purpose payments and specific purpose payments.

General purpose payments provide general budgetary assistance, and the State and Territory governments are free to determine the spending of these monies according to their own budgetary priorities.

Specific purpose payments are a means of meeting the objectives and priorities of Commonwealth Budget programs. The payments are provided subject to certain conditions, for example - the Commonwealth may decide the purpose for which the funds are to be spent; or the States may be required to contribute some of their own funds to the programme to qualify for the assistance.

Further details of the Commonwealth Government relations with the States and local government are contained in *Commonwealth Budget Paper No 3: Commonwealth Financial Relations with other levels of Government 1995-96*.

Summary

In 1994-95, total general purpose grants from the Commonwealth to Victoria totalled \$3,153 million, a 2% increase on 1993-94. Specific purpose grants for current and capital purposes totalled \$4,044 million, a 1% increase on 1993-94. Education and health together comprised 73% of total specific purpose grants, with grants to the health area steadily increasing over the last 6 years.

TABLE 15.7 COMMONWEALTH GOVERNMENT PAYMENTS TO VICTORIAN STATE AND LOCAL GOVERNMENTS (a)

Payments	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
	\$m					
General Revenue Funds	2 710	2 712	2 649	2 804	2 957	3 113
Financial Assistance Grants	2 710	2 712	2 646	2 662	2 717	2 795
Identified Road Funds	-	-	3	3	52	103
Special Revenue Assistance	-	-	-	139	188	215
General Purpose Capital Funds	71	68	85	115	137	40
Capital Grants	71	68	85	115	68	-
Building Better Cities	-	-	-	-	69	40
Specific Purpose Current and Capital Grants	3 293	4 074	4 035	4 248	3 995	4 044
Education	1 370	1 488	1 618	1 787	1 751	1 789
Health	935	1 011	1 066	1 142	1 159	1 173
Social security and welfare	96	102	117	174	207	223
Housing and community amenities	215	220	226	230	215	237
Transport	280	340	292	393	205	149
Industry assistance and development	23	31	110	57	17	18
Mining, manufacturing, and construction	3	3	63	4	4	5
Public order and safety	26	28	31	34	34	34
General public service	21	43	57	69	72	74
Other economic affairs and purposes	137	203	123	95	67	78
Sinking fund on state debt (b)	13	12	11	9	7	7
Tax compensation - sale of assets	-	413	-	-	-	-
Grants in lieu of royalties	-	-	131	-	-	-
Financial assistance - local govt	177	182	186	191	191	191
Local govt - Identified road funds	-	-	67	68	69	69
Total Commonwealth payments	6 074	6 854	6 769	7 166	7 089	7 197

(a) Excludes subsidies and bounties to primary producers, and cash benefits payments to persons in Victoria paid by Commonwealth departments.

(b) Paid to National Debt Sinking Fund.

Source: Commonwealth Budget Paper Number 3, Commonwealth Financial Relations with other Levels of Government

PRIVATE FINANCE

Australian financial system

The Australian financial system includes banks and a range of non-bank financial institutions such as building societies, credit unions, money market corporations, finance companies, insurance companies, superannuation funds and various forms of fund managers such as unit trusts.

Reserve Bank of Australia

The Reserve Bank of Australia acts as Australia's central bank. As well as formulating and implementing monetary policy, it maintains prudential supervision of banks in relation to large credit exposure. Its responsibilities include preserving confidence in the banking system as a whole, and promoting the stability and integrity of the banking system and the payments system protecting bank deposits.

Legislation

The major acts relating to the operation and management of banks in Australia are the *Banking Act 1959*, the *Reserve Bank Act 1959*, and the *Commonwealth Banks Act 1959* (all Commonwealth Government Acts). Since 1980 there have been substantial changes in the Australian financial system, as a result of the recommendations of the Campbell Committee, and later of the Martin Review Committee. These reviews have led to substantial deregulation of the Australian financial system (particularly in respect to the relaxation of controls on most bank interest rates and the foreign exchange rate) and the entry of new banks into the system.

Amendments to the Banking Act in 1990 gave the Reserve Bank explicit powers for the prudential supervision of banks as well as providing a formal statutory foundation for this supervision (i.e. greater power to seek information from banks and investigate their affairs); restructured the banking industry by abolishing the distinction between trading and savings banks; formally replaced the Statutory Reserve Deposit requirement with a non-callable deposit requirement; removed the limit of 50% on foreign ownership of money market dealers; and reduced the Prime Assets ratio from 10% to 6% of bank assets, to be held in high quality liquid assets.

In December 1992 the *Banking Act* was further amended to permit new foreign banks to apply for a banking authority in Australia and to allow foreign banks (including those already in Australia) to operate with a branch structure, provided they are able to meet the Reserve Bank's prudential requirement.

Banks

The banking system in Australia as at 30 June 1995 comprised a central bank (the Reserve Bank of Australia); forty-four banks (one owned by the Commonwealth, three by State governments, and forty privately-owned); five subsidiary banks; the Commonwealth Development Bank and the Australian Resources Development Bank (specialist banks, owned respectively by the Commonwealth Government and by a consortium of the four major Australian banks).

Thirty-one banks, plus the Reserve Bank, have branches in Victoria.

TABLE 15.8 BANKS, NUMBER OF BRANCHES AND AGENCIES, VICTORIA

	At 30 June 1994		At 30 June 1995	
	Branches	Agencies	Branches	Agencies
Commonwealth Bank of Australia	639	1 024	513	1 049
National Australia Bank	364	25	355	33
ANZ Banking Group	356	28	336	9
Westpac Banking Corporation	257	19	255	12
Bank of Melbourne	120	220	119	200
St. George Bank	34	2	32	2
Challenge Bank	21	14	22	14
Metway Bank	2	-	7	-
State Bank of New South Wales	1	-	6	1
Other Banks	29	8	34	10
Total Banks	1 823	1 340	1 679	1 330
Metropolitan Area	1 248	830	1 123	817
Remainder of Victoria	575	510	556	513

Source: Reserve Bank of Australia

Deposits and loans

In the three years to June 1995 deposits held in customers accounts at banks increased 16% to a total of \$65,510 million. Loans to customers accounts grew by 14% to a total of \$65,400 million at June 1995. Term and at call accounts represented 57% of total deposits held in customers accounts in June 1995.

TABLE 15.9 BANKS, DEPOSITS AND LOANS TO CUSTOMER ACCOUNTS, VICTORIA (a)

Period	Deposits repayable in Australia					Loans
	Current bearing interest	Current not bearing interest	Term and at call	Other	Total	
			\$m			
June 1992	6 340	3 639	28 713	17 896	56 588	57 277
June 1993	8 609	3 382	31 272	15 050	58 313	58 733
June 1994	10 195	3 592	32 054	15 522	61 364	60 505
June 1995	10 834	3 165	37 460	14 043	65 510	65 400

(a) Average of weekly figures for month of June.

Source: Reserve Bank of Australia

Interest rates

Although interest rates are not formally determined under the *Banking Act*, maximum rates are fixed after discussions between the Reserve Bank and the banks (and with the approval of the Treasurer). The high nominal interest rates which were set in the late 1980s in order to curb excessive economic growth have been lowered, since January 1990, in response to the changes in economic conditions as the economy slowed, although interest rates rose slightly during 1994-95.

Details of bank interest rates for June 1993, 1994 and 1995 are presented in Table 15.10.

TABLE 15.10 BANKS, INTEREST RATES (a)

	% per annum		
Fixed deposits (\$5 000 to \$100 000) (b)			
30 days	4.85	4.35	5.45
3 months	5.10	4.45	6.10
6 months	4.90	5.00	6.75
12 months	5.20	5.55	7.15
3 years	6.00	7.00	7.50
5 years	6.75	8.25	7.80
Cash management accounts			
\$20 000 to \$100 000	4.10/4.30	3.95/4.00	5.75/5.95
Over \$100 000	4.40/4.65	4.25	6.35/6.55
Transaction and investment accounts			
Under \$2 000	2.25	1.25/1.50	1.15/1.75
\$2 000 to under \$10 000	2.25/2.75	1.25/2.50	1.25/2.75
\$10 000 and over	2.75/4.00	2.50/3.75	2.75/4.50
Business loans (c)			
Large business	9.50	8.95/9.00	10.60/10.75
Small/medium business	9.70/10.00	9.20/9.50	10.90/11.25
Housing for owner occupation (d)	9.50	8.75	10.50
Personal loans (e)	12.50/17.00	12.50/13.50	13.45/14.50
Credit cards (f)	19.75/20.00	13.95/14.75	15.95/16.95

(a) Except where otherwise indicated, data are compiled at or near the end of the month.

(b) Predominant rates offered by major banks.

(c) Indicator rates on variable rate business loans (ie overdrafts and fully drawn loans). In most cases a margin is added when setting rates on individual loans.

(d) Standard variable rate loans of large bank housing tenders.

(e) Unsecured loans with terms of 6 months to 7 years.

(f) Cards with an interest-free period.

Source: Reserve Bank of Australia

Non-bank financial institutions

There are a number of categories of financial institutions such as building societies, credit unions, money market corporations and other types of institutions which, in addition to banks, play an important part in financial activities in Australia.

Both Commonwealth and State legislation regulate the activities of these institutions. *The Financial Corporations Act 1974* (Commonwealth) requires that financial corporations register with the Reserve Bank, and that they provide statistics to the Reserve Bank on a quarterly basis (for corporations with assets in excess of \$1 million) or monthly (for those with assets exceeding \$5 million).

Australian Financial Institutions Commission

In July 1992 legislation was introduced to provide for a national regulatory body, the Australian Financial Institutions Commission, to co-ordinate standards for the prudential supervision of building societies and credit unions, although responsibility for the day to day supervision of such institutions remains with individual states.

Permanent building societies

The operations of permanent building societies in Victoria are regulated by the *Financial Institutions (Victoria) Act 1992*, which is administered by the Victorian Financial Institutions Commission, with whom they must be registered.

The number of permanent building societies in Victoria declined from 10 in 1991-92 to 4 at the end of 1993-94, reflecting recent trends like amalgamation between building societies and the conversion of some of them into banks. The assets of permanent building societies in Victoria at the end of 1993-94 totalled \$2,558 million, down 13% from 1991-92. Total income of building societies exceeded total expenditure in 1993-94 by \$20 million.

TABLE 15.11 PERMANENT BUILDING SOCIETIES, VICTORIA

	10	8	4
Number of societies			
Income and expenditure (\$m) -			
Income -			
Interest from loans	245.7	168.4	169.6
Interest from investments	32.6	25.5	21.3
Other income	24.2	22.2	21.9
Total	302.5	216.1	212.9
Expenditure -			
Interest on deposits	176.5	106.5	97.0
Interest on loans	25.3	9.8	12.6
Other expenditure	103.3	84.4	83.8
Total	305.1	200.6	193.3
Liabilities and assets (a) (\$m) -			
Liabilities -			
Share capital	365.4	89.4	101.8
Reserves (b)	43.9	86.7	87.0
Deposits	2 312.1	1 969.4	2 054.9
Loans	199.9	49.8	256.0
Other liabilities	34.6	56.0	57.9
Total	2 955.9	2 251.5	2 557.6
Assets -			
Amounts owing on loans	2 361.8	1 717.0	2 004.7
Cash on hand	20.6	10.2	10.4
Deposits with banks	86.1	80.9	136.7
Deposits with other institutions	95.8	48.5	37.7
Bills, bonds, and other securities	247.2	280.6	262.6
Physical and other assets	144.3	114.3	105.6
Total	2 955.9	2 251.5	2 557.6

(a) At the balance dates of societies within the financial year shown.

(b) Includes accumulated surpluses and deficits.

Source: *Annual Statistics on Financial Institutions* (5661.0)

Credit co-operatives

The operations of credit co-operatives are also governed by the *Financial Institutions (Victoria) Act 1992*, and likewise credit co-operatives have to register with the Victorian Financial Institutions Commission.

There were 76 credit co-operatives in Victoria at the end of 1993-94, down from 90 in 1992-93. The assets of credit co-operatives increased by almost 6% between 1992-93 and 1993-94. Income exceeded expenditure by \$20 million in 1994.

TABLE 15.12 CREDIT CO-OPERATIVES, VICTORIA

Number of credit co-operatives	90	76
Income and expenditure (\$m) -		
Income		
Interest from loans	144.7	157.5
Interest from investments	23.8	25.4
Other income	14.0	19.8
Total	182.5	202.6
Expenditure -		
Interest on deposits	70.6	68.6
interest on loans	0.3	0.3
Other expenditure	95.9	114.1
Total	166.8	183.0
Liabilities and assets (a) (\$m) -		
Liabilities		
Share capital	-	-
Reserves (b)	176.2	199.2
Deposits	1 960.9	2 053.4
Loans	9.7	18.9
Other liabilities	36.5	39.7
Total	2 183.4	2 311.3
Assets		
Amounts owing on loans (c)	1 502.7	1 623.7
Cash on hand	14.0	11.5
Deposits with banks	46.5	60.1
Deposits with other institutions	25.2	23.0
Bills, bonds, and other securities	489.1	485.5
Physical and other assets	105.9	107.5
Total	2 183.4	2 311.3

(a) At the balance dates of societies within the financial year shown.

(b) Includes accumulated surpluses and deficits.

(c) Includes finance lease receivables, also net of unearned interest and allowance for doubtful debts.

Source: *Annual Statistics on Financial Institutions* (5661.0)

Lending activity of financial institutions

Housing finance for owner occupation decreased 12% between 1993-94 and 1994-95, although it was 14% higher than in 1992-93. Personal finance was 46% higher in 1994-95 than in 1992-93, whilst commercial finance increased by 9% over the same period. Lease finance showed an overall increase over the three-year period of 26%.

Banks were the dominant lender in all areas except lease finance, with other lenders significantly lifting their share of commercial finance commitments.

TABLE 15.13 TYPE OF FINANCIAL COMMITMENT BY LENDER, VICTORIA

	Housing finance for owner occupation	Personal finance	Commercial finance	Lease finance
\$m				
At 30 June 1993 -				
Banks	7 957.4	3 279.0	19 076.5	378.1
Finance companies	-	732.6	1 249.3	461.6
Permanent building societies	262.6	-	-	-
Credit cooperatives	-	335.0	-	-
Money market corporations	-	-	1 854.2	78.1
Other	244.2	275.9	710.9	255.6
Total	8 464.2	4 622.5	22 890.9	1 173.4
At 30 June 1994 -				
Banks	10 382.4	4 081.2	18 088.5	377.2
Finance companies	-	866.3	1 393.6	495.6
Permanent building societies	487.7	-	-	-
Credit cooperatives	-	431.9	-	-
Money market corporations	-	-	1 396.9	113.1
Other	139.1	235.4	2 489.6	263.7
Total	11 009.2	5 614.8	23 368.6	1 249.6
At 30 June 1995 -				
Banks	9 128.2	4 901.6	19 003.0	417.2
Finance companies	-	1 069.2	1 594.0	532.8
Permanent building societies	376.9	-	-	-
Credit cooperatives	-	427.5	-	-
Money market corporations	-	-	2 162.6	124.6
Other	164.1	353.1	2 236.9	401.4
Total	9 669.2	6 751.4	24 996.5	1 476.0

Source: *Commercial Finance, Australia* (5643.0), *Housing Finance for Owner Occupation, Australia* (5609.0), *Lease Finance, Australia* (5644.0), *Personal Finance, Australia* (5642.0)

Other financial institutions

Other non-bank financial institutions which play an important part in financial activities in Victoria include: authorised money market dealers, money market corporations, finance companies, general financiers, life insurance offices, superannuation funds, approved deposit funds, cash management trusts, public unit trusts, common funds, friendly societies, general insurance companies, managed funds, and the stock market. Statistical data for these institutions are generally available on an Australian basis only, and can be referenced in *Year Book Australia* (1301.0)

REFERENCES

Government finance statistics

The system of government finance statistics is designed to provide statistics about all public sector authorities, such as government departments, statutory authorities, and local government authorities, except those regarded as financial institutions (e.g. government banks and insurance offices). The system is based on international standards set out in the International Monetary Fund's *A Manual of Government Finance Statistics* and the United Nations' *A System of National Accounts*. The statistics in this chapter cover public trading enterprises and general government bodies owned or controlled by the State and local governments.

Public trading enterprises are undertakings which aim to recover a substantial proportion of their expenses by revenue from the sale of goods and services. General government bodies are all the agencies of government not classified as either public trading or financial enterprises i.e. all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. Central borrowing authorities (e.g. Treasury Corporation of Victoria) are also classified as general government.

The transactions of government are classified according to an economic transactions framework and to purpose. The former classification is designed to categorise the economic character of a transaction to facilitate the study of the macro-economic impact of government activity on the economy, and to provide the basic building blocks for grouping transactions to be incorporated into the Australian National Accounts. The purpose classification groups transactions with similar functions to facilitate the study of the broad purposes of public sector spending and the assessment of the effectiveness of outlays in meeting government policy objectives.

To assist users in understanding government finance statistics, the ABS *Classifications Manual of Government Finance Statistics, Australia* (1217.0) and *Government Finance Statistics: Concepts, Sources and Methods* (5514.0) outline the major concepts, provide definitions of the statistical units, and contain the main classifications employed.

Data sources

The financial transactions of the Victorian Government are itemised in the accounts of the State Consolidated Fund and in Trust Funds. A detailed analysis and classification is made of these accounts as published in the annual budget papers, Finance Statement, and report of the Auditor-General. The remaining statutory bodies and other publicly owned or controlled organisations maintain accounts entirely, or largely, separate from the public accounts, although there may be transactions between them and State governments (such as advances and capital contributions, interest and dividends, and votes for running expenses and capital works) which affect the public accounts. The annual reports of government departments and authorities are collected and analysed in order to present a complete statement of the transactions of State Government enterprises.

Local Government Finance statistics for Victoria are collected jointly with the Victoria Grants Commission.