PART THREE

Economic Development

1

THE VICTORIAN ECONOMY

The Victorian economy may properly be regarded as a distinctive regional unit within the wider Australian economy. First, it has a pattern of employment and economic activity which differs in some important respects from those of the other Australian States. Second, it has a distinctive pattern of trade and other economic relations both with countries overseas and with other parts of the Australian Commonwealth. Finally, the State of Victoria provides the economy with a distinct political, legal, and administrative framework. There are thus three broad factors which give a distinctive and independent character to the Victorian economy, and each will be examined in turn.

ECONOMIC ACTIVITY

The pattern of economic activity in Victoria is dictated largely by peculiarities of climate, terrain, and natural resources. Local differences do, of course, exist, but as compared with the rest of Australia the similarities are greater than the differences. This is partly because of the compactness of the State. In area it is smaller than any State except Tasmania, but in population it is larger than any except New South Wales. Density of population is higher than elsewhere, and the unoccupied areas are relatively small, being confined to parts of the mountainous north-east and the semi-arid north-west.

AUSTRALIA—RELATIONSHIP OF THE STATES

Particulars	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust. (a)
Area : percentage of total	10.43	**2.96**	22.47	12.81	32.88	0.89	100.00
Population : 1966 Census							
Percentage of total	36.66	**27.88**	14.39	9.45	7.24	3.22	100.00
Density per sq mile	14.05	**37.59**	2.58	2.94	0.91	14.39	4.02

(a) Includes Northern Territory and the Australian Capital Territory.

A unifying and integrating influence is also exerted by the predominance of the Melbourne metropolitan area which contains two thirds of the population and provides not only the major market for consumer goods, but also the commercial, financial, and administrative services on which the rest of the State depends. Indeed, the Melbourne hinterland extends for some purposes beyond the State boundaries, e.g., into the Riverina district of

New South Wales and into the south-east of South Australia. In Victoria the predominance of the capital city reflects both a relatively low rural population, and (as compared with New South Wales, Queensland, and Tasmania) a relatively low provincial city population. The old gold mining centres of Ballarat and Bendigo developed early, but with the decline of gold mining their subsequent growth lagged. In New South Wales and Queensland, on the other hand, the provincial centres are more significant and there is even some local separatist sentiment.

AUSTRALIA—URBAN AND RURAL POPULATIONS, CENSUS 1966
(per cent)

Particulars	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust. (*a*)
Metropolitan	57.8	**65.5**	43.2	66.7	59.8	32.2	58.1
Other urban	28.6	**20.0**	33.6	15.9	16.7	38.1	25.1
Rural	13.4	**14.4**	23.1	17.3	23.1	29.5	16.6
Migratory	0.2	**0.1**	0.1	0.1	0.4	0.2	0.2
Total	100.0	**100.0**	100.0	100.0	100.0	100.0	100.0

(*a*) Includes Northern Territory and the Australian Capital Territory.

The relatively small area of Victoria and the concentration of population in Melbourne are naturally reflected in the pattern of employment. As compared with other States, the proportion of the work force employed in manufacturing in Victoria is relatively high, whereas that employed in primary industry is relatively low. More surprisingly, the proportions employed in commerce, transport, and building are also lower in Victoria than elsewhere. Presumably transport and distribution require the employment of relatively fewer workers because of the small area of the State, and building is probably tied to local needs and therefore tends to be somewhat overshadowed as industrial development progresses.

AUSTRALIA—WORK FORCE IN EACH INDUSTRY GROUP, CENSUS 1966
(per cent)

Industry group	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust. (*a*)
Manufacturing	28.6	**31.8**	19.3	27.8	17.9	23.0	27.0
Primary	8.8	**8.5**	16.4	11.3	15.2	14.0	10.2
Commerce and finance	20.0	**19.4**	20.4	20.5	21.5	18.7	19.9
Public administration and services	15.3	**15.0**	15.2	14.6	16.5	15.6	15.6
Building and public utilities	10.7	**9.4**	11.9	11.1	12.1	12.4	11.0
Transport	7.9	**7.2**	8.6	7.5	7.1	8.7	7.9
Amusement and services	6.3	**5.9**	6.3	5.4	6.1	5.6	6.1
Other	2.4	**2.8**	1.9	1.8	3.6	2.0	2.3
Total	100.0	**100.0**	100.0	100.0	100.0	100.0	100.0

(*a*) Includes Northern Territory and the Australian Capital Territory.

Primary industry has, of course, a significance greater than that indicated by the pattern of employment. It is still the major export earner and it provides some of the raw materials on which the manufacturing and processing industries are based. The handling of primary products is also a major part of the activity of those employed in transport, commerce, finance, and similar activities. It is, therefore, important to consider its special features even though it may seem relatively small in terms of employment.

The twin mainstays of Australian rural production during the present century have been wool and wheat, and Victoria has some of Australia's best sheep country in the Western District, and some of its best wheat lands in the Wimmera. However, Victorian soils are generally not very fertile and have been found to benefit from substantial applications of artificial fertilisers. Victoria uses more superphosphate than any other State except Western Australia, where its use has expanded rapidly in recent years. It was first applied in the early years of the century to counteract the fall in wheat yields resulting from continuous cropping and soil exhaustion. A generation later its use was extended to the top-dressing of pastures and the replacement of native grasses by subterranean clover, often followed by high-grade perennial grasses.

Much of the resultant increased pasture growth is used for hay-making in the spring, and fodder is thus conserved for use during the subsequent months when growth is retarded because of local climatic conditions. The area under sown grasses and clover, also the production of hay, is higher in Victoria than in any other State.

AUSTRALIA—RURAL HOLDINGS: LAND UTILISATION, SEASON 1969–70
('000 acres)

Particulars	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust.(a)
Area	198,037	**56,246**	426,880	243,245	624,589	16,885	1,899,462
Area of rural holdings	170,630	**39,057**	380,218	162,692	280,819	6,517	1,222,387
Area cropped	14,307	**5,668**	5,185	6,776	9,676	242	41,863
Area under sown grasses and clover	11,077	**19,877**	5,452	6,146	16,472	1,996	61,253
Area fertilised	16,340	**15,353**	1,793	10,245	23,944	1,693	69,517
Area irrigated	1,425	**1,468**	431	186	77	60	3,648

(a) Includes Northern Territory and the Australian Capital Territory.

Another leading feature of Victorian farming has been the widespread development of mixed wheat and sheep farming throughout a large part of the northern country. The introduction of a pasture phase into the crop rotation has enhanced the productivity of both activities and tended to stabilise farm incomes. Based originally on experiments at the Rutherglen Research Station, this practice has spread throughout many parts of southern Australia.

However, the most distinctive feature of Victorian farming is its diversification away from wool and wheat. This is perhaps even more marked in Victoria than in Queensland with its tropical produce, or in Tasmania where climate and terrain make wheat growing uneconomic. In Victoria Merino sheep account for less than 50 per cent of flocks, whereas they account for more than 90 per cent in Queensland, South Australia, and

AUSTRALIA—PRODUCTION OF PRINCIPAL RURAL INDUSTRIES, SEASON 1969–70
(per cent)

Product	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust.(a)
Wheat	42.0	**21.6**	3.8	15.3	17.2	0.1	100.0
Wool	36.8	**21.0**	9.6	13.5	16.5	2.4	100.0
Meat	29.1	**29.7**	20.8	7.2	8.7	3.3	100.0
Milk	18.7	**53.7**	11.4	6.4	3.5	6.2	100.0
Hay	24.5	**43.0**	6.5	10.6	8.9	6.4	100.0
Apples	18.4	**23.9**	5.6	7.0	11.7	33.2	100.0
Pears	8.7	**75.5**	1.3	6.9	2.3	5.3	100.0
Grapes for drying	15.5	**77.0**	..	6.9	0.6	..	100.0

(a) Includes Northern Territory and the Australian Capital Territory.

Western Australia. With pasture improvement, breeds of larger sheep have been developed which combine fine wool with good quality meat. In the mixed sheep and wheat farming areas of the State fat lamb production tends to predominate over wool growing. In the more hilly districts sheep-raising gives way to beef cattle for which improved pastures often provide excellent fattening areas. In 1969–70 total meat production in Victoria was greater than in New South Wales or Queensland.

Dairying is another important form of diversification. Originally particularly suitable for family settlement, it developed in hilly areas and well-watered coastal areas; it has also extended to the improved pastures of the northern irrigation areas and of the river valleys. Victorian dairy herds are both more numerous and more productive than those in other States, and produce about half the total milk output of Australia. A third form of diversification and one which also favours intensive settlement is fruit and vegetable growing. This originally developed close to the metropolitan area, and the surrounding district is still a major apple producing area, second only to Tasmania. In addition, the largest centres in Australia for the production of canned and dried fruits have been developed under irrigation in the warmer northern areas of the State.

Irrigation has played a vital role in both pasture improvement and fruit growing. In Victoria land suitable for these purposes is in relatively close juxtaposition to the water catchment areas of the central highlands. Water can thus be distributed by gravitational flow down open channels and existing river systems. The total area irrigated is nearly 1.5 million acres, which is slightly more than the irrigated area in New South Wales. For many years Victoria has led the rest of Australia in irrigation, particularly in the acreage irrigated for fruit growing and pasture improvement purposes.

Turning from Victorian farming to manufacturing there are again certain special features, arising in part at least from the availability of natural resources. In all States some manufacturers such as bakeries, breweries, motor repair shops, and brick works and other building suppliers cater for basic local needs, but these tend to be overshadowed in Victoria by its well-developed industrial superstructure. Thus, the State has a relatively low proportion of workers engaged in the food, drink, and tobacco industries, and the proportion would be even lower were it not that, as a result of the development of the dairying, meat, and fruit industries, Victoria leads other States in the manufacture of butter, cheese, and other milk products, and in fruit and meat canning. In other States the processing of primary products takes different forms, such as sugar milling in Queensland, and sawmilling and papermaking in Tasmania.

AUSTRALIA—EMPLOYMENT IN MANUFACTURING INDUSTRIES, 1966
(per cent)

	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust.(a)
Cement, bricks, glass, and stone	4.37	**3.61**	3.97	3.85	6.23	3.39	4.11
Metal-working, founding, and engineering	35.55	**25.58**	21.52	35.86	26.93	21.12	30.03
Vehicles and ships (incl. repairs and accessories)	11.24	**13.84**	14.64	21.59	14.30	6.99	13.47
Textiles	3.52	**6.60**	2.00	2.61	1.81	11.69	4.43
Clothing and knitted goods	7.31	**10.73**	4.79	2.47	3.47	1.15	7.39
Food, drink, and tobacco	11.03	**12.05**	26.51	12.62	15.97	18.93	13.49
Sawmilling and wood products	2.97	**2.50**	7.20	3.95	8.82	12.04	3.83
Furniture and fittings	2.18	**1.96**	2.99	2.20	3.59	2.06	2.25
Paper, printing	8.12	7.74	7.50	5.66	8.22	17.72	8.02
Chemicals, dyes, and paints	5.08	**4.51**	2.46	3.23	4.02	2.95	4.34
Other	8.63	**10.87**	6.42	5.96	6.63	1.96	8.64
Total	100.00	**100.00**	100.00	100.00	100.00	100.00	100.00
Work force employed	520,324	**438,490**	128,603	125,053	60,893	33,959	1,312,125
Women as percentage of work force	25.0	**28.9**	18.9	19.4	17.0	20.2	24.7

(a) Includes Northern Territory and the Australian Capital Territory.

Industrial development beyond the stages of meeting localised needs or processing primary products has taken very different forms in Victoria and New South Wales, Victoria having tended to concentrate on relatively light industry, and New South Wales on heavy industry. The most obvious reason for this difference is that Victoria lacks the large black coal deposits of New South Wales. It is on this basis that the iron and steel industry and its associated metal-working activities have developed strongly in that State. The proportion of workers employed in the foundry, metal-working, and engineering group is by comparison relatively low in Victoria. Nevertheless, in actual numbers this group employs more workers than any of the others. The explanation of the apparent paradox is that Victoria has developed a number of specialised types of foundry and engineering work, some of which catered originally for the needs of the gold mining industry. The agricultural implement industry is also an old established activity in Victoria. In addition, several new basic industries have been established in Victoria in recent years, attracted probably by such factors as the size of the market, the availability of deep water harbours, and cheap power. Examples are aluminium smelting, oil refining, and the petrochemical industries.

Although employment in the metal industry group is relatively low in Victoria, that in the textile and clothing groups is relatively high. In these industries employment in Victoria considerably exceeds that in New South Wales and is nearly half the total for Australia. Victorian predominance is particularly marked in the various branches of the wool textile industry, the dressmaking industry, the manufacture of hosiery and knitwear, and in the boot and shoe industry. The wool textile industry dates back to the 1860s and was one of the first examples of the processing of local rural products. In recent years the skills acquired have been used to develop other textile industries, notably cotton and man-made fibres. The textile and clothing industries were originally fostered behind the Victorian tariff and it is often said that they were developed to provide employment for displaced gold miners as their industry declined. It would seem, however, that such workers were mostly absorbed into farming, public works, or the building industry. The textile and clothing trades were, and still are, predominantly users of female labour, and are frequently located in country towns providing employment for women who might not otherwise have been drawn into the labour force. It is significant that the proportion of female labour employed in manufacturing is higher in Victoria than in any other State.

In view of the traditional specialisation of Victoria in the textile and clothing group of industries, it is perhaps at first sight surprising that the State should now have become the main centre of such a different industry as motor car manufacture. Employment in the vehicle group in Victoria exceeds that in New South Wales (despite the fact that this group also includes local garage services, shipbuilding, and the manufacture of railway rolling stock). The two largest motor vehicle manufacturers and also some of the smaller ones have their main manufacturing and assembly plants in Victoria. Although motor vehicle manufacturing is, of course, a large user of iron and steel, labour costs are probably a more important component in the final price. The industry makes considerable use of migrant process workers and also relies heavily on a large number of sub-contractors, many of them in the light engineering field. In addition, it makes heavy demands on the rubber and plastic industries, both of which are well established in Victoria. These factors, together with the large local market and proximity to interstate markets, would seem to have been instrumental in determining the location of such a large part of the motor vehicle manufacturing industry in Victoria.

Another feature of employment and economic activity in Victoria to which reference needs to be made is in some ways the most fundamental. A dramatic and distinctive twist was given to the early history of Victoria by the discovery of gold in 1851. For a quarter of a century thereafter gold mining remained Victoria's largest single industry, a situation not paralleled in any other Australian colony until Western Australia had a similar experience towards the end of the century. Even in its years of decline the gold mining industry continued to influence the economic and financial development of Victoria as well as its political, cultural, and even religious life. But although Victoria led the other States in gold mining, it alone proved to have no substantial deposits of other minerals such as iron ore, silver-lead, copper, or black coal.

For many years Victoria was virtually dependent on black coal shipments from New South Wales to supply its fuel and power needs, apart from local firewood supplies. In the 1920s moves were made to reduce this dependence by the use of brown coal, large deposits of which were known to exist in the La Trobe valley and elsewhere. Although readily mined by open-cut methods, brown coal is an inferior fuel to black coal and has a high moisture content. For ordinary industrial and domestic use it thus needs to be compressed into briquettes, but only two tons of briquettes are obtained from five tons of coal.

In 1919 the State Electricity Commission was established with powers to mine brown coal, manufacture briquettes, and generate and distribute electricity throughout the State. Today the Commission supplies virtually all the power used in the State, its main source of supply being the Yallourn-Morwell-Hazelwood complex, using steam generators fired by brown coal or briquettes. This is supplemented by small peak-load hydro projects in the north-east of the State, and purchases from the Snowy Mountains Authority. By way of contrast New South Wales relies for its power mainly on thermal stations fired by black coal (supplemented again by peak-load supplies from the Snowy) and Tasmania relies almost exclusively on hydro-power. South Australia is the only other State which relies heavily on sub-bituminous coal, but its deposits are neither as large nor as conveniently located as Victoria's.

In the early post-war years efforts were made to reduce still further Victoria's dependence on imported black coal by expanding the production of briquettes for industrial and domestic use and by manufacturing town gas from briquettes and piping it from Morwell to Melbourne. About 500,000 tons of briquettes are now produced annually for the local market, and until 1969 about 30 per cent of Victoria's supplies of town gas came from this source. However, neither project developed on the scale originally planned because the construction of three local oil refineries provided a new and unexpected source of fuel supplies. Fuel oil from the refineries encroached on the market for briquettes and refinery products also became the chief source of town gas, but the net result has been the further displacement of black coal.

Even greater changes appear likely to follow the exploitation of deposits of natural gas and oil in Bass Strait. The existence of gas or oil deposits on or near the Victorian coastline was recognised as a possibility as early as the 1920s and a number of wells were drilled onshore without significant results. Improved techniques for locating and exploiting offshore deposits led to the discovery of the Barracouta and Marlin gas fields in 1965–66, and the Kingfish and Halibut oil fields in 1967. A pipeline has been constructed to supply Melbourne with natural gas and the oil fields are now providing the local refineries with an indigenous supply of crude oil, making Victoria thus largely independent of an imported base for its fuel and power supplies.

TRADING RELATIONS

The Victorian economy is clearly not a separate entity in the sense of leading an isolated and autarkic economic existence, but even national economies are not generally separate entities in this sense. Both regional and national economies have extensive external trading relations ; but a regional economy such as Victoria's also participates in interstate trade within the nation.

Prior to Federation in 1901 Victoria was in a sense a national rather than a regional economy. The Australasian colonies were not, of course, separated by language barriers, either from one another or from the mother country, nor did they have entirely separate monetary systems since the gold sovereign was legal tender in each and some banks operated branches in more than one colony. However, with the grant of responsible government they could and did pursue divergent policies with respect to tariffs and other economic matters. Barriers of distance and transport difficulties (the sailing ship for

AUSTRALIA—OVERSEAS EXPORTS BY STATE OF FINAL SHIPMENT, 1969–70

Selected commodity classifications	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust.(a)
				VALUE ($'000 f.o.b.)			
Meat and meat preparations	62,791	127,469	160,988	16,538	35,115	10,103	417,909
Dairy products and eggs	11,553	68,948	7,109	6,275	481	7,888	102,254
Cereals and cereal preparations	156,950	77,443	24,433	76,552	94,566	1,729	431,792
Fruit and vegetables	6,512	52,140	3,620	8,498	8,039	15,292	94,102
Sugar, sugar preparations, and honey	6,180	494	114,270	247	613	45	121,848
Textile fibres and waste (incl. wool)	210,096	244,317	89,824	81,826	128,530	14,209	768,802
Metalliferous ores and scrap	25,917	17,696	51,772	69,804	278,264	44,775	506,567
Mineral fuels (incl. coal)	125,977	14,726	54,058	1,467	3,958	2	200,329
Iron and steel	93,206	2,697	1,364	24,819	13,519	71	135,707
Non-ferrous metals	47,228	23,345	114,767	58,357	5,098	35,237	284,112
Other	412,193	283,321	151,314	72,648	106,844	14,119	1,068,121
Total	1,158,603	912,596	773,519	417,031	675,027	143,470	4,131,543
				PER CENT			
Meat and meat preparations	5.4	14.0	20.8	4.0	5.2	7.0	10.1
Dairy products and eggs	1.0	7.6	0.9	1.5	0.1	5.5	2.5
Cereals and cereal preparations	13.5	8.5	3.2	18.4	14.0	1.2	10.5
Fruit and vegetables	0.6	5.7	0.5	2.0	1.2	10.7	2.3
Sugar, sugar preparations, and honey	0.5	0.1	14.8	0.1	0.1	..	2.9
Textile fibres and waste (incl. wool)	18.1	26.8	11.6	19.6	19.0	9.9	18.6
Metalliferous ores and scrap	2.2	1.9	6.7	16.7	41.2	31.2	12.3
Mineral fuels (incl. coal)	10.9	1.6	7.0	0.4	0.6	..	4.8
Iron and steel	8.0	0.3	0.2	6.0	2.0	..	3.3
Non-ferrous metals	4.1	2.6	14.8	14.0	0.6	24.6	6.9
Other	35.6	31.0	19.6	17.4	15.8	9.8	25.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(a) Includes Northern Territory and the Australian Capital Territory.

long being the main means of communication between them) also hampered trade and made for separate economic development.

In the early years of settlement Victoria had to import from Britain most of its needs even of ordinary consumer goods, apart from a few items such as wheat and livestock which could be supplied from neighbouring colonies. Britain also provided the market for the Colony's exports which at first consisted principally of wool and tallow. The discovery of gold in the 1850s added a glittering new export which surpassed wool in value for many years, and also provided the means of payment for a greatly expanded range of imports. It was not until the last decade of the nineteenth century that locally produced wool again became Victoria's chief export, a position which it still retains.

AUSTRALIA—OVERSEAS IMPORTS BY IMPORTING STATE, 1969–70

Selected commodity classifications	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Aust. (a)
				VALUE ($'000 f.o.b.)			
Mineral fuels	86,443	**73,780**	31,472	21,294	36,126	1,575	255,239
Chemical elements and compounds	65,612	**36,631**	6,610	2,831	4,975	765	117,454
Textile yarns, fabrics, and made-up products	121,967	**123,666**	16,474	10,910	9,288	4,960	253,239
Machinery (except electric)	326,140	**232,626**	55,839	37,728	42,463	10,830	708,828
Electrical machinery, apparatus, and appliances	118,677	**81,052**	15,639	15,578	15,601	3,841	251,367
Transport equipment	174,833	**212,439**	75,319	34,475	48,319	1,655	567,496
Miscellaneous manufactures	88,520	**49,473**	9,347	7,723	6,003	634	162,218
Other	725,253	**537,386**	83,414	70,684	79,524	22,738	1,565,386
Total	1,707,445	**1,347,053**	294,114	201,223	242,299	46,998	3,881,227
				PER CENT			
Mineral fuels	5.1	**5.5**	10.7	10.6	14.9	3.4	6.6
Chemical elements and compounds	3.8	**2.7**	2.2	1.4	2.1	1.6	3.0
Textile yarns, fabrics, and made-up products	7.1	**9.2**	5.6	5.4	3.8	10.6	6.5
Machinery (except electric)	19.1	**17.3**	19.0	18.7	17.5	23.0	18.3
Electrical machinery, apparatus, and appliances	7.0	**6.0**	5.3	7.7	6.4	8.2	6.5
Transport equipment	10.2	**15.8**	25.6	17.1	19.9	3.5	14.6
Miscellaneous manufactures	5.2	**3.7**	3.2	3.8	2.5	1.3	4.2
Other	42.5	**39.9**	28.4	35.1	32.8	48.4	40.3
Total	100.0	**100.0**	100.0	100.0	100.0	100.0	100.0

(a) Includes Northern Territory and the Australian Capital Territory.

Much of the wool exported through Victorian ports has traditionally come from other States, notably the Riverina district of New South Wales. Similarly on the import side, Melbourne established itself early as an important *entrepôt* and trans-shipment centre for trade with the other colonies, including New Zealand and the Pacific islands. However, Sydney gradually came to rival and eventually surpass Melbourne as the centre for this trade, one reason being the coming of the steamship, which naturally made its turnround in Sydney where local coal was available for bunkering. In the 1860s and the early 1870s Victoria tried without avail to induce the P. & O. Co. to make Melbourne the terminal port for its mail steamers.

On balance, railway construction probably also affected the trans-shipment trade adversely. Melbourne's grip on the Riverina trade may have been strengthened by railways to or beyond the Murray River, but the overall effect of railway construction in the colonies generally was to strengthen the trading position of the capital cities, so enabling them to trade direct with overseas markets. The completion of the interstate lines to Sydney and Adelaide in the 1880s, although important for passenger traffic and light freight, hardly affected the staples of interstate trade, such as coal from New South Wales and sugar from Queensland, which have always been handled by coastal shipping.

Of the many transport improvements in the nineteenth century perhaps the most significant for Victorian trade was the refrigerated ship, which opened up overseas markets for perishable foodstuffs. The improvements in agricultural practice and the extension of irrigation referred to in the previous section enhanced the production possibilities for wheat, meat, butter, and fruit far beyond the volumes which could be absorbed by local or interstate markets. Wheat could readily be shipped overseas and the grain trade remained one of the last strongholds of the sailing ship until well into the twentieth century. Perishable foodstuffs, however, had few overseas outlets until the refrigerated steamship made its appearance in the late 1880s. Thereafter their production and export grew rapidly. They did much to stimulate recovery from the depression of the 1890s and by the time of the First World War exports of all foodstuffs taken together surpassed wool exports in value. Victoria thus achieved diversification in its exports by concentrating on foodstuffs whereas other States did so by developing their mineral deposits.

While transport improvements made for closer trading relations, public policy in Victoria tended to work in the opposite direction during the nineteenth century. In common with the other Australian colonies Victoria originally levied only low revenue tariffs with specific duties on imports such as tobacco and spirits. In 1866, however, in response to popular feeling and David Syme's advocacy in the *Age*, Victoria embarked on a policy of protection. The duties imposed were at first moderate but in the 1890s they reached 50 per cent on some items. The primary purpose was to protect local manufacturing industries, such as textiles, clothing, footwear, and carriage building, against British and other overseas competition. Victoria did in fact lead other States in the development of these industries and in the replacement of consumer goods by raw materials and capital goods as its major overseas imports. However, it is an open question whether these developments would not have occurred in any case, since the population attracted by the gold discoveries already provided a sizeable local market and a readily available work force. Certainly by the end of the century New South Wales, which had pursued a low tariff policy, had overtaken Victoria in industrial development although along somewhat different lines. Moreover, the tariff was a rather blunt instrument in the nineteenth century, being adjusted to industrial needs only at infrequent intervals. Perhaps the most that can be said is that industrial development in Victoria was somewhat accelerated by protection. The advantages of the early start in clothing, textiles, and footwear are still evident in the industrial pattern which prevails today, and carriage building provided some of the basis for the modern car body and assembly plants.

Although the Victorian tariff was aimed primarily at overseas imports it applied equally to imports from the other colonies, including even primary products, such as wheat and flour from South Australia and livestock from New South Wales. At the same time Victoria's own exports of manufactured products were alleged to be " dumped " at cut prices in the other colonies. In these circumstances mutual friction and retaliation were not uncommon.

In 1901 Federation brought Victoria's fiscal autonomy to an end. A common external tariff was established and trade, commerce, and intercourse among the States were to be " absolutely free ", words which have been found to have a wider legal connotation than " free trade ". This early essay in the creation of a common market had consequences which have not yet been fully studied. On the one hand, the common external tariff may have resulted in trade diversion to Victoria at the expense of Britain and the overseas countries which had previously supplied New South Wales and the other low tariff colonies. On the other hand, the abolition of internal tariffs may have exposed Victorian industries to competition from their counterparts in the other colonies and particularly from New South Wales.

Victoria's slow recovery from the depression of the 1890s suggests that the latter effect was dominant in the short run, but the immediate increase in interstate trade was probably small relatively to Gross National Product. In the longer term interstate trade increased substantially and Victorian industry benefited from wider markets, but there is unfortunately a lack of precise data after 1909. In that year the constitutional requirement for the reallocation among the States of part of the Commonwealth's customs and excise revenue lapsed, and comprehensive interstate trade statistics were no longer compiled; such statistics are now available only for trade with Western Australia and Tasmania. The only regular information relating to trade with the other States is the volume (not value) of coastal shipping cargoes. This data, together with more fragmentary material relating to goods carried by rail or road, and interstate banking remittances, suggests that between 1909 and 1961 trade between Victoria, New South Wales, and South Australia rose from between 8 and 9 per cent of their Gross Domestic Product to about double this percentage. In other words, interstate trade grew about twice as fast as population and productivity.

This increase in interstate trade is sometimes ascribed largely to the development of road transport in the intervening years. By 1960–61 goods carried by road between Victoria and New South Wales amounted to about one million tons, which was probably less than a quarter of the combined rail and sea tonnage. However, much of it was high-value freight diverted from the railways, and to this extent it did not represent a net addition to the facilities for interstate trade since the railways had the capacity to carry most of it anyway. New South Wales statistics show that during the 1950s railway freight traffic to and from Victoria was virtually static and failed to expand with population and Gross National Product. In the 1960s, however, it rose dramatically, particularly after the opening of the standard gauge line between Melbourne and Sydney in 1962. Some of the railway recovery has, in its turn, been at the expense of maritime trade and may eventually be lost again to competition from the new container ships and improved methods of cargo handling.

VICTORIA—RAILWAY FREIGHT BETWEEN VICTORIA AND NEW SOUTH WALES
(Annual average tonnage)

Period	To New South Wales	From New South Wales
1946 to 1950	341,112	430,249
1951 to 1955	312,375	431,015
1956 to 1960	312,518	510,904
1961 to 1965	534,250	940,820
1966 to 1970	668,622	1,238,713

Since Federation growth of interstate trade attributable to transport improvements has probably not been as significant as the expansion caused by interruptions to supplies from abroad during the two world wars and development of major new industries integrated across State boundaries, replacing overseas imports with interstate goods. Thus Victoria's interstate imports now include iron and steel from New South Wales, paper and newsprint from Tasmania, and alumina from Western Australia. There is considerable cross-traffic in motor vehicles and components, Victoria on the one hand exporting to all States, and on the other importing from New South Wales and South Australia. Perhaps the most dynamic of the new industries has been oil refining. With the construction of refineries in all States except Tasmania, the import of crude oil from overseas largely replaced that of motor spirit. Since the development of the Bass Strait oil fields interstate traffic in fuel oil and other petroleum products has been replaced by considerable traffic in crude oil.

Of the traditional items of interstate trade, Victorian exports of textiles, clothing, and foodstuffs have probably kept pace with population growth, but Victorian imports of coal from New South Wales have fallen from 1,200,000 tons per annum in the early 1950s to less than half that amount as a result of the increasing use of brown coal and fuel oil.

Interstate trade complements Victoria's overseas trade in two important respects. In the first place, it consists largely of manufactured products and finished consumer goods, whereas overseas trade consists mainly of pastoral and agricultural produce on the export side and of raw materials or capital goods on the import side. Second, interstate trade appears to provide some redress for Victoria's large adverse balance in respect of overseas trade. In 1969–70 Victoria's overseas imports exceeded exports by $434m. A comparison of total exports as shown on page 272 with total imports as on page 273 indicates that New South Wales had an even larger adverse balance, but that every other State had a favourable balance in respect of its overseas trade. This suggests that goods and materials were being imported into Victoria and New South Wales for further processing or finishing and/or ultimate distribution to other States. In these circumstances Victoria and New South Wales would have favourable interstate trade balances to offset against their unfavourable overseas trade balances, whereas the reverse position would be the case with the other States. Western Australian and Tasmanian interstate trade statistics certainly show Victoria to have favourable balances with those States. Interstate bank remittances to Victoria appear to exceed remittances from Victoria and this would also be consistent with an excess of interstate exports over imports, although the situation is no doubt complicated by invisible items.

In the absence of quantitative data it is difficult to generalise about non-trade items in Victoria's balance of payments. However, the State has a long history of investment in other States and it should receive from them a net inflow of interest, profits, and payments for managerial services. In any tabulation of the State's balance of payments this investment income would be regarded as an addition to export earnings, whereas capital outflow would be an addition to import outlays. It does appear from the available statistics that Victoria has a higher income per head from interest and dividends than any other State. It also has high levels of personal savings per head and savings bank deposits. Much of the capital outflow, however, probably takes the form of reinvestment of undistributed profits by Victorian based companies operating throughout the Commonwealth.

AUSTRALIA—PERSONAL INCOME AND SAVINGS PER CAPITA, 1969–70
($)

State	Personal income	Personal income from interest and dividends (a)	Excess of disposable income over personal consumption	Savings bank deposits, June 1970
New South Wales (including Australian Capital Territory)	1,927	125	148	529
Victoria	**1,937**	**144**	**214**	**694**
Queensland	1,631	91	191	489
South Australia (including Northern Territory)	1,661	125	214	611
Western Australia	1,719	102	85	437
Tasmania	1,604	98	165	516
Australia	1,835	122	174	569

(a) Also includes non-dwelling rent, as well as remittances from overseas.

Victorian investment in other States seems to have begun in the 1880s, often with the reinvestment of profits made originally on the goldfields, although not necessarily in the gold mining industry itself. The two most popular avenues of investment were pastoral properties in the Riverina, western New South Wales, and outback Queensland; and mining ventures in Tasmania, Queensland, and New South Wales.

The most famous of these ventures was the development of silver-lead mining at Broken Hill, originally by The Broken Hill Proprietary Co. Ltd and later by the Melbourne based " Collins House " group of companies. Subsequently the B.H.P. Co. Ltd transferred its activities to iron and steel manufacture at Newcastle, using coal from nearby mines and iron ore from South Australia. Similarly, following the introduction of the electrolytic refining process, the " Collins House " group established other enterprises in Tasmania and at Port Kembla in New South Wales. Two other ventures of the group were the manufacture of fine writing paper in Tasmania, and the search for gold in Western Australia, a search which was not very successful in itself but which led to its involvement in nickel and aluminium. For most of their history these various enterprises have been managed and largely financed from Melbourne although their activities have been located in almost every State except Victoria.

These companies and their associated enterprises have given Melbourne a dominant place in the financing, direction, and control of the metallurgical and other basic industries throughout Australia. Melbourne's leadership is shared to a greater extent with Sydney in other fields such as banking, insurance, and retail trade. Nevertheless, in terms of profits in 1970–71, out of the ten largest listed companies incorporated in Australia, seven were based in Melbourne. The flow of funds for investment in other States and the income received in return clearly play an important role in Victoria's external economic relationships.

THE PUBLIC SECTOR

The third justification for treating the Victorian economy as a distinct entity is that it operates within a separate political, legal, and administrative framework. This imparts a cohesion to its various regions which they would not possess in isolation, and also gives them a distinctive character as compared with other parts of the Australian Commonwealth. As a member of the federation, the State of Victoria, of course, differs economically from a national state in a number of respects. As noted above it cannot protect its industries by tariffs or other impediments to interstate trade. Equally important in the modern world, it does not control the monetary and fiscal instruments necessary to maintain full employment and combat inflation. Partly under the terms of the Commonwealth Constitution, and partly by subsequent interpretation and amendment, these controls have passed from the State to the Commonwealth.

As explained in the chapter on financial relations with the Commonwealth the exclusive tax powers of the Commonwealth have been extended from customs and excise duties to sales tax and income tax, the two taxes which have proved most useful for stabilisation purposes. Under the Financial Agreement of 1927 and the subsequent constitutional amendment, the Commonwealth also acquired effective control over State borrowing. It alone can issue new securities on behalf of the States, and although borrowing programmes require approval by the Loan Council, which is formally a joint Commonwealth–State body, the Commonwealth has in practice a decisive voice in its decisions. At Federation the Commonwealth also acquired the currency and banking powers from the States and used them to issue currency notes in 1910 and to establish the Commonwealth Bank in 1911, although it was to be many years before the latter became an effective central bank.

Prior to Federation, Victoria had enjoyed fiscal autonomy and legal control over banking and currency within the Colony. However, the conventional wisdom of the day precluded any resort to anti-cyclical policies, other than relief works in periods of severe unemployment. The Government was expected to balance its budget, borrowing only for public works, and to refrain from issuing paper money or changing the gold content of the currency. The banks were prevented from acting in concert by mutual rivalry and suspicion, and there was no central bank to which they could look for assistance or leadership. The result was that monetary policy in the modern sense of the term was non-existent and fiscal policy was apt to be positively perverse.

These deficiencies were well exemplified during the boom of the 1880s and the depression of the 1890s, both of which were of greater effect in Victoria than in the other colonies. It used to be held that the severity of the depression was the inexorable result of the great public and private building boom which had preceded it. However, the view has been gaining ground in recent years that although the boom had obviously caused some distortion of the economy, and although the necessary readjustments were complicated by the unfortunate coincidence in the early 1890s of a decline in the capital inflow from Britain and a fall in the value of exports, nevertheless the worst manifestations of the depression and particularly the financial panic of 1893 might have been averted by more intelligent policies. In New South Wales the Government declared bank notes legal tender for six months, so enabling the banks in that State to pay out notes instead of gold to frightened depositors, and in Queensland the Government issued its own notes, but in Victoria neither course was followed, with the result that all but three of its banks had to close their doors. Moreover, the Colonial Government, in its obsession with balancing the budget, increased taxation when incomes were falling, and retrenched expenditure when unemployment was severe and increasing. Public works came to a virtual standstill just when they were most needed.

The transfer to the Commonwealth of the monetary and fiscal powers which Victoria had failed to use in the 1890s did not of itself materially change the situation. The instruments of monetary policy took a long time to forge, and fiscal policy showed little enlightenment even in 1930. In 1931 public works again came to a virtual standstill. Indeed it was not until after the Second World War that governments began to acquire the sophistication and expertise necessary to apply the techniques of monetary and fiscal controls to the stabilisation of economic conditions.

After Federation the State continued to provide most of the public services normally financed from taxation, except defence, which was transferred to the Commonwealth. The maintenance of law and order was the primary function of the government at the time of separation from New South Wales, an event which happened almost to coincide with the gold rush. As conditions became more settled, the proportion of the State budget devoted to this purpose steadily declined. In 1969–70 Victoria spent less per capita on law, order, and public safety than any other State. The police force is the main item in this category of expenditure and the ratio of police to population in Victoria has been lower than in the other States. In the not too distant future, however, mounting traffic problems and the apparent increase in violence may make the problems of law enforcement greater in closely settled communities like the Melbourne metropolitan area than they have traditionally been in sparsely settled mining and other frontier areas.

The amount spent on education, which is now the largest item in the State budget, was insignificant at Separation. At that time education was neither free nor compulsory, being mostly provided by government-subsidised denominational schools which catered only for a minority of children. In 1872, however, Victoria led the other Australian colonies in legislating for education which was to be " free, secular, and compulsory ". This historic slogan marked the beginning of popular education in Australia, although for many years it was virtually confined to primary education and much remained to be done in the building of schools and the training of teachers. Private and denominational schools were still able to operate provided they met certain standards, but they no longer received government subsidies. Unfortunately, the development of educational services in Victoria was retarded by the retrenchments of the 1890s, the effects of which continued to be felt until the Second World War. It is only in recent years that per capita expenditure on education in Victoria has exceeded the level of New South Wales. State secondary education in particular was relatively slow to develop, and non-government secondary schools are still more important in Victoria than in most other States. Another distinctive feature of the Victorian educational system, and one closely connected with its industrial development, has been the prominence given to technical education and the organisation of junior and senior technical schools side by side with the State high schools.

AUSTRALIA—PER CAPITA STATE EXPENDITURE ON CERTAIN SOCIAL SERVICES FROM CONSOLIDATED REVENUE AND SPECIAL FUNDS, 1969–70
($)

Particulars	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Total
Education	64.34	**69.45**	53.06	65.81	70.42	73.65	65.05
Health, hospitals, and charities	34.48	**29.25**	32.78	29.35	46.01	40.66	33.40
Law, order, and public safety	12.54	**10.43**	14.15	11.48	15.15	14.61	12.36
Total	111.36	**109.12**	99.99	106.64	131.58	128.92	110.80

State health services have also come to be a major item in the State budget. At Separation a beginning had been made with public health, and a quarantine station was established in 1853. An infectious diseases hospital followed in 1872, but other hospitals remained mostly voluntary institutions. Substantial State (and Commonwealth) funds are now channelled to them through the Hospitals and Charities Commission, but greater reliance on voluntary effort still serves to keep per capita State expenditure on health, hospitals, and charities lower in Victoria than in the other States.

In contrast with education and health expenditure, social welfare payments for the relief of poverty have come to play a relatively minor role in the State budget. Age (1909) and invalid (1910) pensions have been provided by the Commonwealth under one of the powers transferred to it at Federation. Other social welfare payments, including unemployment relief (which had been a heavy burden during the depression of the 1930s) and also sickness benefits and child endowment became the responsibility of the Commonwealth, followed by the social services referendum of 1946. This was one of the few successful amendments to the Commonwealth Constitution.

Turning from public services normally financed from taxation to public utilities and State business undertakings, which are normally expected to support themselves from fees and charges, only the Post Office was transferred to the Commonwealth at Federation. Much had been done in Victoria prior to Federation to lay the infra-structure for future development. At the outset the Government was heavily involved in the planning and erection of public buildings (including a new Parliament House, Post Office, Public Library, and University). Road construction was also undertaken, particularly in the towns. Country roads came later, but today Victoria probably has the best country road system in Australia. By the early 1860s the Government had acquired the privately built railway lines to Williamstown and Geelong and had embarked on a programme of railway construction which was to continue at a varying tempo for some thirty years, incidentally giving Victoria its distinctive broad gauge system and giving Melbourne the most extensive suburban railway system in any Australian capital city. Engineering projects were also undertaken, such as the construction of telegraph lines and the provision of the Yan Yean water supply. In the 1880s Victoria led the other colonies in the development of irrigation. The Irrigation Act of 1886 nationalised water resources and instituted a system of government loans to local irrigation trusts.

Despite the boost received by State revenues, first from the goldfields and later from relatively high import duties, a substantial proportion of the State public works had to be financed by borrowing. From the 1850s onwards the finance for many of these development works came from government loans floated in London. There was simultaneously considerable private borrowing from overseas, and both forms of borrowing increased greatly in the following thirty years. No particular difficulty was experienced in meeting the resulting debt charges so long as gold exports continued and the flow of commodity exports was maintained, but trouble was encountered once these conditions were not fulfilled, as in the 1890s and again in the 1930s. The resulting cut-backs severely retarded economic development for many years.

The aggregate State net loan expenditure on these various undertakings to June 1967 is shown in the following table. Expenditure for some purposes such as electricity and metropolitan water supply has been substantially financed by semi-governmental loans. It also appears that Victoria has borrowed relatively more than most States for items such as public buildings, irrigation, and land settlement, and relatively smaller amounts for other purposes.

AUSTRALIA—STATE NET LOAN EXPENDITURE ON WORKS AND SERVICES: AGGREGATE TO 30 JUNE 1969
($m)

Particulars	N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.
Railways	766.5	**462.4**	382.3	169.6	198.5	(*a*) 34.3
Metropolitan transport	49.8	..	..	17.1	5.2	2.9
Electricity	419.1	**262.8**	(*b*) 48.3	151.0	57.6	312.7
Water supply, sewerage, etc.	287.3	**402.5**	(*b*)57.9	358.0	177.4	20.8
Water conservation, irrigation, and drainage	280.3		89.9	40.8	34.8	..
Harbours, rivers, etc.	175.4	**29.0**	15.9	56.8	55.0	(*c*)
Public buildings	905.8	**767.0**	269.6	264.9	213.6	126.8
Land settlement (*d*)	86.7	**133.9**	18.9	22.4	26.6	8.9
Roads and bridges	79.7	**66.8**	(*b*)27.9	11.0	9.8	59.5
Housing (*e*)	16.4	**23.9**	50.9	87.6	46.8	27.6
Forestry	24.1	**46.9**	69.9	17.4	7.9	18.5
All other	122.1	**175.2**	(*f*)227.4	83.7	111.7	42.6
Total	3,213.2	**2,370.4**	1,258.9	1,280.3	944.9	654.6
Net loan expenditure in 1968–69	183.5	**146.6**	79.0	71.2	54.9	38.4

(*a*) Transport Commission included in total.
(*b*) Includes subsidies paid to local bodies for these purposes.
(*c*) Included under "Roads and bridges".
(*d*) Excludes capital expenditure met by the Commonwealth in South Australia, Western Australia, and Tasmania under War Service Land Settlement Agreement.
(*e*) Additional to sums provided under Commonwealth–State Housing Agreements.
(*f*) Includes loans to local bodies for unspecified purposes.
Source: Commonwealth Grants Commission.

Another feature of government sponsored projects in Victoria has been a tendency to transfer their administration to boards or commissions or to devolution to local authorities as an alternative to direct departmental administration. One reason for such arrangements was that originally the necessary professional and administrative skills were not available in the embryonic public service of the day. Another reason was that an independent board or commission would be less exposed to pressure from politicians anxious to improve their standing with their local constituents. Such pressures were first felt acutely in connection with railway works, jobs, and fares, and in 1883 a three man commission was created as a public corporation to administer the Victorian Railways. This set a precedent which despite its somewhat chequered history was later followed in a number of other State undertakings, notably irrigation, housing, and electricity supply, and was also extended to certain services ordinarily provided by local authorities. In the two decades following Separation a one-tier system of some two hundred urban municipalities and local shires had evolved but their powers were restricted to a fairly limited range of functions such as roads, drainage, garbage collection, the provision of local parks, and some trading functions, e.g., electricity, abattoirs, and markets. Important functions such as police and education which are the responsibility of local authorities in other countries have always been centralised in Victoria. The transfer of certain services to centralised boards and commissions has further narrowed the functions of local authorities. Thus main roads have become the responsibility of the Country Roads Board and local electricity undertakings have been progressively transferred to the State Electricity Commission. Unlike New South Wales, no upper tier of county or regional authorities has been introduced, even in the metropolitan area, where services such as sewerage, water supply, tramways, and fire brigades have also been transferred to boards or commissions. These arrangements have certainly resulted in a higher standard of efficiency than could have been attained by small local authorities acting independently.

It will thus be seen that despite its lack of fiscal and monetary independence since Federation, the State of Victoria still plays a vital role in the provision and quality of basic public services such as education and health; in the nature and, to some extent the timing, of public investment; and in safeguarding the standards of administration. In these various ways it provides a distinctive background for the operations of the private sector of the economy.

2

FINANCIAL RELATIONS WITH THE COMMONWEALTH

When the Commonwealth of Australia came into being on 1 January 1901, and the Colony of Victoria was redesignated a State, Victoria entered a third phase of political development, and underwent its second major constitutional change in half a century. The impact of Federation on the finances of Victoria and some of the factors involved in the State's financial relationships with the Commonwealth may be seen more clearly when related to the development of the public sector of the Colony from its formation to the eve of Federation.

FROM SEPARATION TO FEDERATION

On 1 July 1851 the Port Phillip District of the Colony of New South Wales was separated from its parent Colony and reconstituted as the Colony of Victoria. At almost the same time the discovery of gold changed the new Colony from a rather simple economy based on farming and grazing to a bustling centre in the grip of a gold rush. Between 1851 and 1861 the population increased from 77,000 to 540,000.

The revenues and expenditures of the Government of Victoria during the period 1852 to 1900 are set out in the following tables. The first accounts for Victoria published for a full year were for 1852. The revenue of the Government in that year was derived from the basic sources of land settlement and customs duties, and from the goldfields. The first Act of the Colony to impose its own customs duties was proclaimed in 1852, and duties were placed on five commodities only : coffee, 10s per cwt ; spirits, 7s per gallon ; tea, 3d per lb ; tobacco, 2s per lb ; and wine, 1s per gallon. All other imports were duty free. Some indication of the early settlers' consumption of these commodities can be gauged from the fact that customs duties in 1852 represented more than £4 for every man, woman, and child in the Colony.

In December 1853 an Act for the better management of the goldfields was passed. This Act repealed the 1852 Act imposing fees for a licence to dig for any ore on wastelands of the Crown, and introduced licences to mine for gold, ranging from £1 for 1 month to £8 for 12 months. Licences at rates from £15 for 3 months to £50 for 12 months were also required to carry on business on the goldfields. Since 1850 the Port Phillip District had imposed its own postage rates, and in towns letters were carried for 1d per half ounce. Auctioneer's licence fees were increased from £15 to £100 a year in 1852, and publican's licences costing £30 a year were introduced.

VICTORIA—CONSOLIDATED REVENUE FUND: REVENUE(*a*)
($'000)

Particulars	1852	1860	1870	1879–80	1889–90	1899–1900
Taxation—						
Customs and excise	661	2,995	2,715	2,838	5,591	4,603
Income tax	..	..	..	..	..	430
Probate duty	..	..	..	76	800	253
Land tax	..	..	..	175	243	216
Stamp duties	..	..	..	271	(*b*)1,549	(*b*)1,335
Duty on bank notes	..	..	..	45	64	37
Other	37	167	37	44	48	63
Total taxation	698	3,162	2,752	3,449	8,295	6,937
Land revenue—						
Alienation of Crown lands	1,417	1,372	1,296	1,392	887	559
Other	73	513	334	265	237	92
Total land revenue	1,490	1,885	1,630	1,657	1,124	651
Recovery of debt charges	..	n.a.	n.a.	5	83	276
Fees and charges	18	168	182	198	348	443
Goldfields	972	145	76	31	31	29
Railways	..	204	1,137	2,937	6,268	6,017
Harbours	25	41	36	41	65	57
Forests and water supply undertakings	..	..	142	236	443	136
Fines	38	22	20	8	17	18
Postal and telegraph offices	25	262	316	540	(*b*)113	(*b*)156
Other sources	5	(*c*)276	(*c*)233	141	251	177
Total	3,271	6,165	6,524	9,243	17,038	14,897

(*a*) June year accounting was first adopted in 1871–72; prior to that date government accounting was on a calendar year basis.
(*b*) Revenue from postage stamps included as part of stamp duties.
(*c*) Because of a lack of detail in early published accounts these figures may include amounts applicable to other heads of revenue.
n.a.: Not available.

The goldfields substantially increased the need for major items of expenditure including the cost of police, courts, post offices, medical services, and military establishments. Mounted patrols for gold transport and gold offices in Melbourne and Geelong were also provided from goldfields revenue. However, so buoyant was goldfields revenue in 1852 that it exceeded expenditure by $404,000.

Expenditure on police and prisons in the Colony other than for the goldfields was also quite large. This could be expected in a newly settled area, especially in one which was undergoing all the social effects of a gold rush, including an extremely rapid growth in population. Immigration was the other major item of expenditure in the early 1850s, as the assisted immigration scheme continued despite the large influx of unassisted migrants lured to the Colony by gold.

The expenditure of $17,000 for education included $6,000 in aid of the establishment and support of National schools, and $11,000 was provided as grants to denominational schools. Not only did the Government assist church schools, but financial assistance was also given to " defray the

VICTORIA—CONSOLIDATED REVENUE FUND : EXPENDITURE(*a*)
($'000)

Particulars	1852	1860	1870	1879–80	1889–90	1899–1900
Debt charges (*b*)	..	985	1,465	1,960	3,648	3,770
Education	17	270	373	1,093	1,521	1,330
Health	26	238	388	455	553	483
Penal and gaols	62	182	198	207	237	225
Police	140	641	400	467	548	558
Works and buildings	266	1,946	514	724	1,969	354
Defence	15	131	164	149	403	515
Crown lands and survey	58	263	133	322	578	249
Legal departments and judiciary	53	347	340	336	491	325
Endowments to municipalities	32	278	424	611	900	200
Railways (*b*)	..	268	973	1,613	5,254	3,793
Posts and telegraphs	54	322	495	838	1,420	1,043
Trade and customs and ports and harbours	91	208	276	185	267	209
Mining and country water supply	568	72	56	121	349	126
Other	582	713	658	669	1,153	1,381
Total	1,964	6,864	6,857	9,750	19,291	14,561

(*a*) June year accounting was first adopted in 1871–72; prior to that date government accounting was on a calendar year basis.
(*b*) Railway debt charges are included under the item "Debt charges."

expenses" of providing clergy. The amount provided for this purpose in 1852 was also $11,000, which is included above in "Other" expenditure. Free, secular, and compulsory education was not introduced until the Act of 1872, which also terminated these grants.

The forty years from 1851 was a period of extremely rapid development in the Colony. The development in the public sector of the economy was no less marked than elsewhere. In the 15 years from 1855 to 1870 the Colony's population nearly doubled from 364,000 to 727,000 persons. By 1880 the population had reached 860,000 ; by 1890 it was 1,133,000, but by 1900 it had only increased to 1,197,000. From 1852 to 1870 the Colony's revenue had almost doubled from $3,271,000 to $6,524,000, the major sources of revenue being customs and excise duties, and land revenue. In the meantime, however, revenue from the goldfields had shown a marked decline, falling by 1870 to less than one twelfth of the revenue of 1852.

By the end of 1863 the Government had acquired all the railway lines in the Colony, except the 16.3 miles owned by the Melbourne and Hobson's Bay Railway Co. which were eventually purchased by the Government in 1878. Railway receipts were paid into the Consolidated Revenue Fund, and railway expenditure made from the Fund. In this way railway income appeared as a new revenue item and by 1870 it had reached $1,137,000; the next two decades were the outstanding years of government railway development and the growth in railway revenue was most apparent. By 1890 railway revenue had increased more than fivefold over the 1870 figure to reach $6,268,000. The dramatic growth in the government owned railway system can be seen from the growth in mileage of railway track. In 1870 there were 270 miles of track open but by 1880 the mileage had reached 1,199. Mileage more than doubled in the next decade to reach 2,471 by 1890. Another half century was to elapse before railway mileage came close to doubling again.

A peak of economic activity generally, and of the Government's revenue in particular, was reached during the period of great prosperity which accompanied the land boom of the 1880s. By 1889 government revenue had reached $17,038,000, or more than five times that of 1852, and nearly three times that of 1870.

Following the boom of the 1880s the Colony experienced a severe economic depression, at that time the worst in its history and unequalled in severity or hardship until the 1930s. Statistics of imports into the Colony provide a striking example of the decline in the level of activity as a result of the depression. In 1889 imports into Victoria were valued at $48.4m. Five years later in 1894 imports had fallen to $24.5m. The Colony's revenue suffered with the rest of the economy and by 1892–93 it had fallen to $14m. Some recovery was made in the latter years of the 1890s, but for the financial year 1899–1900 revenue was still just under $15m.

By the end of the nineteenth century the character of the Colony's revenue had changed markedly and sources of revenue had become much more diverse. The great bulk of the Colony's revenue now came from taxation and from its railway system ; revenue from the occupation of land was less than half its 1852 amount. Customs duties were still the most important form of taxation. Excise duty was the second largest form of taxation following its early beginnings as distillation licences in 1862. Of the $3,944,000 revenue from customs duties in 1899–1900, more than half was raised from items on which duties had been imposed since the earliest days of the Colony : spirits, wine, beer, and cider, $972,000 ; tobacco, snuff, and cigars, $470,000 ; tea, sugar and molasses, coffee, chicory, and cocoa and chocolate, $770,000. In addition, however, a further $1,154,000 was collected from customs duties imposed upon a wide range of articles, mainly manufactured goods such as handbags, barbed wire, engines of all kinds, wickerware, glassware, and articles of apparel.

This diversification reflected the extension of customs duties from levies for purely revenue purposes to levies which served the dual purpose of providing revenue for the Crown and protection for developing Victorian industries. The wide variety of articles subject to duty by the end of the nineteenth century grew from the small range of some thirty-three types of goods on which duties were levied by the *Customs Duties Act* 1866. This Act, which was first introduced with the Budget of Sir James McCulloch's Government in 1865, was finally proclaimed on 18 April 1866 after a fierce debate both inside and outside the Parliament. Subsequent legislation, especially in the 1870s and early 1880s, greatly extended the scope of the 1866 Act and protection of Victorian industry from outside competition by means of a tariff barrier became established as the policy of the Colony.

The base of taxation revenue was progressively broadened, becoming increasingly like that of a modern government. Probate duties were introduced in 1870, a bank notes tax in 1875, land tax in 1877, and stamp duties in 1879. Income taxation was introduced in 1895 at rates ranging from 4d in the £1 to 8d in the £1 for income from personal exertion, and 8d in the £1 to 16d in the £1 for income from property.

The expenditure of the Colony had also become more diverse. Expenditure on education was $1,330,000 in 1899–1900, but like expenditure on health it was still relatively small as compared with that of a modern government. Although expenditure on police and prisons was still high, it had fallen considerably as a proportion of total expenditure since 1852.

A major item of expenditure was the interest payable on the public debt. In addition to raising revenue, the Colony had been securing loan finance, especially in London, particularly for the construction of railways and waterworks, including the Yan Yean reservoir to supply Melbourne. The relative importance of overseas borrowing in comparison with local borrowing before Federation is illustrated by the interest payable on the public debt. Of the $3,770,000 interest payable in 1899–1900, $3,434,000 or 91 per cent was payable in London. The public debt of the Colony of Victoria at 30 June 1900, together with the interest payable on the debt, was as follows:

VICTORIA—PUBLIC DEBT AT 30 JUNE 1900
($'000)

Purpose for which debt raised	Public debt	Interest payable in 1899–1900
Railways	75,330	2,896
Country waterworks	10,720	400
Yan Yean waterworks	4,718	178
Schools	2,240	90
Public offices, courts, and Parliament House	1,534	62
Other	4,108	144
Total	98,650	3,770

Such was the state of the finances of the Colony of Victoria on the eve of Federation. From very simple beginnings, the Government's finances by 1900 had grown both in amount and complexity. Federation was to have considerable effects on the governmental financial structure.

AFTER FEDERATION

Under the Constitution of the Commonwealth of Australia, specific powers were transferred to the newly created Commonwealth Government and the remaining powers were left with the States. This meant that such items as defence, trade and customs, and the postal service no longer appeared among the State's expenditures. At the same time, with the collection and control of customs and excise duties passing to the Commonwealth, Victoria lost its major source of revenue. From the figures in the following tables it is obvious that if no other financial arrangements had been made the result of the new Constitution would have been to give Victoria a serious budget deficit from the beginning. On the basis of 1899–1900 figures the revenues which the State lost, i.e., customs duties, excise duties, and postal charges, exceeded $5m while the corresponding fall in expenditure was less than $1.8m.

It was expected that for some time the Commonwealth would not require all of the revenue available to it as the expenditure fields taken over were only minor in character. On the other hand, the States, especially Victoria, had lost large amounts of revenue but still retained most of the expenditure fields.

The imbalance in the State accounts likely to result from the unequal size of revenues and expenditures taken over by the Commonwealth had led to a proposal by Sir Edward Braddon (Premier of Tasmania, 1894 to 1899) of a clause designed to give the States a constitutional right to 75 per cent of Commonwealth customs and excise revenue. After the Convention Bill containing the Braddon clause failed to secure the statutory majority in New South Wales, both Houses of that Parliament asked for the omission of the clause. A compromise solution was reached under which the operation of the clause was limited to the ten years after Federation, and thereafter for such time as the Commonwealth Parliament provided. The Braddon clause finally appeared as section 87 of the Commonwealth Constitution in the following form :

> During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, of the net revenue of the Commonwealth from duties of customs and of excise not more than one-fourth shall be applied annually by the Commonwealth towards its expenditure.
>
> The balance shall, in accordance with this Constitution, be paid to the several States, or applied towards the payment of interest on debts of the several States taken over by the Commonwealth.

VICTORIA—CONSOLIDATED REVENUE FUND: REVENUE
($'000)

Particulars	1901-02	1909-10	1919-20	1929-30	1939-40	1949-50	1959-60	1969-70
Taxation—								
Income tax	441	677	1,831	5,962	9,475	..	..	..
Probate duty	436	716	1,763	2,267	2,914	5,222	18,826	44,423
Land tax	196	229	628	1,063	980	585	11,708	22,436
Entertainments tax	..	..	..	107	666	..	2,824	569
Motor car third party insurance surcharge	..	..	..	..	..	..	980	2,735
Totalisator	..	..	..	..	359	1,582	1,769	14,064
Lottery duty	..	..	..	..	..	..	5,932	6,504
Stamp duties	322	465	1,542	2,051	2,249	5,952	27,637	90,361
Duties on bank notes	38	35	4	3	..	..	..	..
Licensing fund payment	..	..	..	454	341	1,162	5,600	10,658
Unemployment relief tax	..	..	..	..	4,000	..	..	..
Other	62	90	224	310	486	505	783	3,312
Total taxation	1,495	2,212	5,992	12,215	21,470	15,008	76,059	195,062
Recovery of debt charges	320	368	1,052	6,381	5,351	5,898	21,242	47,107
Fees and charges	485	476	1,152	1,545	1,634	4,955	13,637	27,811
Land revenue	631	498	336	396	485	600	1,741	2,864
Railway revenue	6,724	8,902	16,164	24,238	19,712	40,500	78,064	105,205
Harbour revenue	140	208	243	445	425	735	1,170	3,515
Forests, water supply, and coal mining undertakings	155	361	1,776	3,146	2,039	4,791	13,026	19,247
Fines	18	26	40	42	67	145	944	5,169
Statutory corporation payments	..	..	..	..	..	..	..	7,425
Other State sources	203	175	416	811	768	1,754	2,426	15,598
Total revenue from State sources	10,171	13,226	27,171	49,219	51,951	74,386	208,309	429,003
Commonwealth payments to the State—								
Share of customs and excise revenue	3,842	3,845	..	..	..	..	..	..
Per capita payments	..	..	3,694	..	..	..	..	..
Payment under Financial Agreement	..	..	..	4,254	4,254	4,254	4,254	4,254
Financial assistance grants (formerly tax reimbursement grants)	..	..	..	..	..	28,474	121,250	280,008
Other payments	..	..	..	..	..	3,999	2,808	13,635
Total Commonwealth payments	3,842	3,845	3,694	4,254	4,254	36,727	128,312	297,897
Total	14,013	17,071	30,865	53,473	56,205	111,113	336,621	726,900

In other words, the constitutional right to 75 per cent of net customs and excise revenue would cease for the States at the end of 1910. The clause in its final form was to play a significant role in shaping the future development of Commonwealth–State financial relationships in Australia. Without the help of the Braddon clause, Victoria would have been thrown into fundamental financial imbalance at Federation. The State's dependence on the share of customs and excise revenue it received under the Constitution until 1910 can be seen from the fact that this item represented 27 per cent of the revenue resources of the State in 1901–02 and was still 22.5 per cent in 1909–10.

VICTORIA—CONSOLIDATED REVENUE FUND: EXPENDITURE
($'000)

Particulars	1901-02	1909-10	1919-20	1929-30	1939-40	1949-50	1959-60	1969-70
Debt charges (*a*)	4,087	4,378	7,142	12,467	16,911	20,104	69,327	154,360
Education	1,457	1,776	2,988	5,937	6,421	17,280	71,543	241,478
Health	528	609	1,252	1,915	2,655	9,601	46,557	97,057
Social welfare	829	278	557	1,122	891	975	4,470	11,969
Police	587	645	973	1,731	1,945	4,715	15,943	29,927
Public works and buildings	442	868	583	968	608	2,104	5,772	7,875
Crown lands and survey	252	286	387	1,336	574	1,531	2,994	4,327
Agriculture	132	349	494	764	1,065	1,768	3,766	8,318
Law	339	316	370	553	530	1,552	4 469	9,489
Unemployment relief	..	..	..	..	4,000	30	..	..
Railways (*a*)	4,293	5,871	13,127	20,606	16,808	41,175	80,095	118,712
Ports and harbours	71	67	83	148	155	293	1,019	1,760
Mining and country water supply	163	325	614	613	1,050	3,264	8,699	15,271
Forests	34	71	168	332	610	2,035	4,347	6,320
Other	1,601	1,232	1,719	3,073	1,970	7,203	16,993	35,419
Total	14,815	17,071	30,457	51,565	56,193	113,630	335,994	742,282

(*a*) Railway debt charges are included under the item "Debt charges".

By 1909–10 the State's Consolidated Revenue Fund receipts had regained the level of 1889–90 despite the loss of revenue sources as a result of Federation. Income taxation and probate duty had become the major sources of taxation and railway revenue had reached almost $9m. Of the total revenue of $17.1m, $13.2m was provided from State sources and the remaining revenue of $3.8m came from the State's constitutional share of customs and excise revenue under the Braddon clause. Apart from expenditure of $5.9m on its railway system, the other major items of expenditure in 1909–10 were debt charges, $4.4m and education, $1.8m. Expenditure on health just exceeded $600,000 and expenditure on police was a similar amount.

Per capita payments

In 1909 Commonwealth and State Ministers met in conference to try to reconcile the States' claims for greater financial independence and Commonwealth claims for a greater share of customs and excise revenue. Eventually it was decided that after 1 July 1910 the Commonwealth would pay annually to the States a sum calculated at the rate of 25s a head of population. It was proposed that the Constitution should be amended to give permanent effect to these payments as compensation to the States for the loss of their share of customs and excise revenue. The constitutional amendment was rejected at a referendum, but in 1910 the Commonwealth

Parliament passed an Act providing for payment of 25s a head per annum to the States for a period of ten years, and thereafter until Parliament otherwise provided.

Per capita payments continued until after the First World War, when pressures began to mount for some alteration to the system. The Commonwealth argued that the system required alteration because the war had completely changed the state of Commonwealth finances, and Commonwealth revenue was not sufficient to meet charges arising out of the war and per capita payments as well.

In 1919–20 the State received \$3.7m from per capita payments which was less than the share of customs and excise revenue received in 1909–10. During this time it was found necessary for the State to almost treble taxation revenue with large increases in stamp duties, income tax, and probate duties. This action was taken to meet rising costs. Debt charges alone had increased during the decade by \$2.8m while the cost of education and health services had risen by \$1.8m.

The Commonwealth, which had first imposed income taxation during 1915, suggested that it was unsatisfactory for both the Commonwealth and State Governments to collect income tax and then for the Commonwealth Government to pay part of its revenue over to the States through general purpose grants. The question of per capita payments was discussed at Premiers' Conferences in the early 1920s.

At a conference of Commonwealth and State Ministers in 1926 the Commonwealth also asserted that the system of per capita payments had introduced an unacceptable principle into public finance because under it one government, the Commonwealth, was raising revenue for other governments to spend. At the same conference the Commonwealth put forward one of its proposals to alter the system. This was that the Commonwealth and State finances were to be separated as far as possible, on the principle that indirect taxation was the proper field for the Commonwealth and direct taxation the proper field for the States. As a first step towards this objective the Commonwealth would vacate the field of taxation of income of individuals. On the other hand, the per capita payments made to the States would be discontinued. Together with other proposals to alter the then existing system this proposal was rejected by the States.

In March 1927 the matter was brought to a head when the Commonwealth passed an Act abolishing per capita payments to the States. However, provision was made for payments to the States replacing the per capita payments during 1927, if an agreement was made between the Commonwealth and the States. An agreement, the Financial Agreement, had been under discussion and the abolition of the per capita payments finally secured State acceptance of this Agreement. The conditions leading up to this and the effect of the Agreement on government borrowing are discussed below.

Co-ordination of government borrowing

In 1909 a conference of Commonwealth and State Ministers had expressed a view that the establishment of one Australian Government stock and a consolidation of State debts would ensure the better management of future loans, and would be a step in keeping with the fulfilment of the intention of the Commonwealth Constitution. The matter was discussed again at a Premiers' Conference held in Melbourne in 1923. At this Conference " the co-ordination of borrowing by the States and the Commonwealth " was discussed. Heavy public borrowing by the States and the Commonwealth in the years since 1910 was causing concern. The sinking fund arrangements for the redemption of the rapidly growing debt varied widely and were also causing concern. In addition, there were problems in the raising of loan funds, both in Australia and overseas, with seven governments competing in the same markets for loan moneys.

The 1923 Conference attempted to overcome some of these problems. It agreed that in respect of future loans proper provisions for sinking funds would be established. Further, it also agreed that an informal loan council consisting of the Commonwealth Treasurer and the Treasurers of each of the States would be set up to try to bring order into the approaches to the public loan market within Australia, and to consider the rate of interest and other terms upon which such loans could be floated. The council was to act in an advisory capacity. All States subsequently endorsed a Commonwealth proposal that the loan council should be given legal and constitutional status in the form of the Financial Agreement between the Commonwealth and the States.

The Financial Agreement in its final form was signed by the Commonwealth and the States on 12 December 1927. The Agreement was ratified by legislation in all States and in the Commonwealth Parliament after a constitutional referendum had approved the inclusion of section 105A in the Commonwealth Constitution giving power to the Commonwealth to make the Agreement.

The reasons for the signing of the Financial Agreement were thus broadly twofold. First, it was the only way by which the States could regain revenue to replace the per capita payments which were otherwise abolished by the Commonwealth, and second, it provided a means of strengthening the existing borrowing potential of the governments and of handling the situation which had arisen concerning loan funds and debt charges.

The provisions which significantly affect Commonwealth–State relationships and State finances are those relating to the establishment of the Australian Loan Council, consisting of the Prime Minister or his nominee and the six State Premiers or their nominees, and to the future borrowings by the governments of the States and of the Commonwealth of Australia.

Under the voting rules the Commonwealth representative on the Loan Council has two ordinary votes and a casting vote, while State representatives have one vote each. Thus the Commonwealth, when assisted by the votes of two States, can carry any proposal. Commonwealth influence in Loan Council proceedings has therefore tended to be strong, and has been enhanced since 1952 when the Commonwealth first guaranteed the raising of funds for the government borrowing programme.

Under the major permanent financial provisions of the Agreement the Commonwealth took over the public debts of the States existing at 30 June 1927 and assumed some of the responsibility for interest payments and sinking fund contributions. The Commonwealth contributes $15m annually to the States towards payment of interest on the debt existing at that date, and of this amount, Victoria receives $4.25m a year. However, the States still have to find the balance of the interest payments on this debt and also full interest payments on new debts incurred since 1927. At 30 June 1970 the total annual interest liability of the States' debts was about \$550m, of which Victoria's share was about \$135m.

Concerning redemption of the debt, adequate sinking fund arrangements were established for the repayment of debts existing in 1927 and for those incurred subsequently. For debt existing in 1927 the Commonwealth contributes ⅛ of one per cent and the State ¼ of one per cent of the face value of the debt each year to form a sinking fund to eliminate the debt in 58 years. For State debts incurred after June 1927, but excluding debt incurred for the purpose of funding revenue deficits, the Agreement provides for both the Commonwealth and the States to contribute ¼ per cent a year each of the face value of the debt to form a sinking fund which will eliminate the debt after 53 years. This combined Commonwealth–State sinking fund contribution of ½ per cent a year is used by the National Debt Commission in the purchase of Commonwealth securities. These securities, purchased by the National Debt Commission, are termed "cancelled" securities, and the States, under the Agreement, also pay an additional sinking fund contribution of 4.5 per cent a year on the face value of these securities for the full period during which sinking fund contributions are payable. A result of this is that the States repay 86.75 per cent of State debt and the Commonwealth contributes 13.25 per cent. On the other hand, the States no longer pay interest on the cancelled securities.

There have been some minor amendments made to the Financial Agreement since 1927. In 1931 two Debt Conversion Agreements were made between the Commonwealth and the States which did not alter the wording of the original Agreement but which ensured that the provisions of these Debt Conversion Agreements should prevail over any provisions of the Financial Agreement with which they were not in accord.

Another agreement was made between the Commonwealth and the States in 1934. Under this agreement the Commonwealth agreed to write off portion of the indebtedness of the States in respect of loans raised for soldier settlement purposes.

In 1944 a further amending Agreement was made between the Commonwealth and the States. The amendments were not significant and were principally designed to clarify aspects of sinking fund procedure. Except for re-writing the provisions of the Agreement to take account of decimal currency in 1966, no further changes have been made since 1944.

Semi- and local government authorities were not subject to the Financial Agreement insofar as their money raising powers were concerned; by a "gentlemen's agreement" between the Commonwealth and the States control is exercised over these authorities so that their borrowing operations are in accord with the principles of the Financial Agreement. Today the total amount which may be borrowed in any year by semi-government authorities is determined by the Loan Council.

Since 1945 the Commonwealth and the States have entered into agreements—the Commonwealth and States Housing Agreements—under which the Commonwealth has lent money to the States to assist in carrying out housing projects. The amounts are determined annually at the Loan

Council meeting, and the loans carry a rate of interest one per cent below the prevailing bond rates. By 30 June 1971 Victoria had received $607m in these loans, and had repaid $54m.

As a result of its control over all government loan operations in Australia the Loan Council influences many financial activities in Victoria. It not only determines the size of the total annual borrowing programme and its distribution between the Commonwealth and the various State Governments, but also fixes interest rates and determines other matters connected with loan raisings. It, therefore, effectively controls both the amount of borrowing by governments and the terms on which they may borrow both in Australia and overseas. The decisions of the Loan Council determine to a very large extent the level of public works activity being undertaken in any year, with its consequential influence on the general level of economic activity. As Loan Council control also extends to government borrowing overseas, its decisions are also relevant to Australia's overseas balance of payments. In addition, the Commonwealth bond rate is an important influence on the structure of interest rates, and Loan Council decisions regarding changes in the bond rate have effects on private as well as public financial operations.

Expenditure from the Loan Fund has a significant effect on the Budget apart from the interest and sinking fund contributions involved. For example, before a new school can function, funds must be made available from current revenue for adequate teaching staff, maintenance, services, etc. Such considerations require that the relationship between loan expenditure and recurring costs be kept under very close scrutiny when capital projects are being planned.

Debt charges have been a large and growing financial commitment for the State and must be met from the Consolidated Revenue. In 1969–70 interest payments and sinking fund contributions totalled $154m out of a total Budget expenditure of $742m. However, some items of loan expenditure provide a financial return which partly offsets debt charges. In 1969–70 recoups of debt charges totalled $47m, leaving an amount of $107m to be financed from Consolidated Revenue.

In recent years increasing debt charges have been largely the result of loan funds expended on schools and hospitals and in developing the resources of the State. Between 1 July 1960 and 30 June 1970 the public debt of Victoria doubled and the average rate of interest increased from 4.2 per cent to 5.2 per cent. Consequently, the total interest payable has increased by about 132 per cent and meeting these increased payments has imposed a severe strain on State Budgets.

Since 1951–52 public borrowings (except in 1962–63 and 1963–64) have fallen short of approved Loan Council programmes for all States. This short-fall of borrowings has been met through special loans taken up by the Commonwealth at the end of each financial year on terms and conditions offered in the Commonwealth public loans raised in Australia during that year. The major part of funds subscribed by the Commonwealth to these special loans has been derived from general revenue sources. To 30 June 1970 the Commonwealth had subscribed a total of $2,654m to special loans for all States, and in 1969–70 debt charges payable by the States in respect of these loans amounted to about $133m.

The Commonwealth has viewed its subscription to special loans as a proper investment of funds which imposes no greater interest cost on the States than if the subscriptions to the loan had come from the rest of the community. On the other hand, the States have taken the view that with a different distribution of taxation revenues between the Commonwealth and the States, much of the States' capital works which have been financed by borrowings could have been financed by taxation without being subject to interest and the consequential increase in State debt.

Uniform taxation of income

Following the Financial Agreement of 1927 the next major development in Commonwealth-State financial relationships was the introduction of uniform taxation in 1942. It is worth noting the trends in income tax before this latter date. In 1929–30 Victoria's Consolidated Revenue totalled $53.5m, which was some 70 per cent above the level of revenue a decade before. Over this period State taxation doubled to reach $12.2m, largely as a result of a substantial increase in income tax revenue which had firmly asserted itself as a major source of taxation revenue; it reached almost $6m, representing an increase of more than 200 per cent over the decade. The only Commonwealth payment to the State of any significance was the amount of $4.3m payable under the provisions of the Financial Agreement. Railway expenditure of $20.6m was still the largest item of State expenditure followed in turn by debt charges of $12.5m and expenditure on education of almost $6m. Education expenditure had shown the greatest growth over the decade and had almost doubled in that time.

By 1939–40 Victoria's Consolidated Revenue Fund receipts totalled $56.2m, which was only a marginal increase over the level of a decade earlier. This small increase was the result of the severe financial depression of the 1930s with its consequent effects on the Government's revenues, both as a result of the economic decline and the reduced activity following the " Premiers' Plan " which attempted what was considered at the time to be an appropriate anti-depression policy. Revenue from State sources other than State taxation had declined during the depression with the largest fall being recorded in railway revenue, which decreased from $24.2m for 1929–30 to only $19.7m by 1939–40. State taxation increased strongly, however, with income tax remaining a significant $9.5m out of a total tax revenue of $21.5m. In addition, the other major source of taxation revenue was a tax imposed on incomes for unemployment relief purposes which was first introduced in 1930 and which totalled $4m in 1939–40. Government expenditure showed little increase over the level of a decade earlier and if an expenditure of $4m for unemployment relief is excluded, it totalled only $52.2m compared with $51.6m a decade earlier. Nevertheless, debt charges continued to grow and by 1939–40 had become the major item of Consolidated Revenue Fund expenditure, totalling $16.9m and just exceeding railway expenditure.

The following table shows the relative importance of income tax as a source of revenue to the two levels of government in 1939–40 prior to the introduction of uniform taxation:

VICTORIA—INCOME TAX AND TOTAL TAXES, 1939–40

Particulars	Income tax collected (a)	Total tax revenue	Income tax as percentage of total
	$m	$m	
Commonwealth	32.9	180.0	18
All States	66.9	(b) 108.8	62
Victoria	13.5	(b) 25.4	53

(a) Includes taxes levied on income for financing unemployment relief.
(b) Includes motor taxation which was not paid to Consolidated Revenue but paid to special funds. In 1939–40 these taxes totalled $3.9m in Victoria and this amount was paid to the Country Roads Board Fund.

The introduction of uniform taxation can be traced to the needs of war finance. As war expenditure increased the Commonwealth was faced with the need to impose high and steeply progressive income tax rates. At that time a separate Commonwealth income tax was levied, which, under the Constitution, had to be uniform throughout Australia. However, State income taxation rates varied widely : Victoria was a low tax State ; South Australian tax rates were relatively heavy on low incomes, while Queensland rates were relatively high on high incomes. Consequently, the scope available for imposing additional Commonwealth tax was limited to that available in the State with the highest rate at any given level of income. A corollary of this was that in the States with lower levels of income tax the Commonwealth could not gain access to the total taxable capacity of the State and of the nation. The Commonwealth Government also believed that in the interests of morale, citizens on a given income should pay the same total tax, irrespective of domicile.

The first proposals submitted to the States in January 1941 were that all States' rates of income tax should be either reduced to the level of the most lightly taxed State or increased to the level of the most heavily taxed State. In the first case, States which had to reduce their tax rates would be compensated by Commonwealth grants, and in the second case the additional revenue collected by States which had to increase tax rates would be lent to the Commonwealth. The States rejected both alternatives.

At the Premiers' Conference of June 1941 another proposal was put forward : that the States should vacate the income tax field for the duration of the war in favour of the Commonwealth, and in return the Commonwealth would pay $60m annual compensation for loss of revenue. Of this amount $49m would be distributed on a population basis and the balance on a basis to be agreed. All States, with the exception of South Australia, rejected this proposal.

In April 1942 a committee appointed by the Commonwealth to consider and report on a scheme of uniform taxation recommended that the States should retire from the income tax field for the duration of the war and one year thereafter. The Commonwealth would become the sole income taxing authority as from 1 July 1942, and from that date the States were to receive compensation for the loss of income tax revenue. On 22 April

1942 a Premiers' Conference rejected the Commonwealth's proposals based on this report but three weeks later the Commonwealth Treasurer introduced a series of bills for a scheme of uniform taxation which would, for all practical purposes, exclude the States from the income tax field for the duration of the war and one year thereafter.

This scheme was in four parts :

1. a significant increase in Commonwealth income tax rates which, particularly at higher income levels, would have left little scope for imposition of a State tax even if other barriers had not been imposed ;
2. an Income Tax Reimbursement Act providing for grants to the States to compensate them for the loss of income tax revenue, a condition of the payment of the grants being that the States did not impose an income tax ;
3. an amendment of the Income Tax Assessment Act to provide that no taxpayer should pay his State income tax until he had met his liability for Commonwealth income tax (this became known as the " priority clause ") ; and
4. the transfer to the Commonwealth of the staff, records, equipment, and accommodation of the State income tax offices.

The income tax reimbursement grants were based on the average collections of State income tax during the two financial years 1939–40 and 1940–41.

When the necessary Bills had passed both Houses of the Commonwealth Parliament, action was taken by four States (Victoria, Queensland, South Australia, and Western Australia) to challenge the constitutional validity of the legislation in the High Court. Basically, the States contended that the four Acts must be considered together as a scheme or plan, the substance of which was a legislative prohibition against the exercise by the States of their power to levy income tax, and which neither the taxation nor the defence power of the Commonwealth would authorise. The High Court unanimously rejected this contention. Treating the Acts separately, the Court held all four valid—the " Rates Act " under the taxation power ; the States Grants under the power in section 96 to grant financial assistance to any State " under such conditions as the Parliament thinks fit " ; the " priority clause " as a matter incidental to the taxation power ; and the War-Time Arrangements under the defence power. There were minority dissents in relation both to the States Grants and to the War-Time Arrangements. One Justice upheld the " priority clause " as a defence measure.

Later in 1942 the Commonwealth, in agreement with the five States which levied entertainments tax, established a uniform entertainments tax, and provided for compensatory reimbursement grants, based on 1941–42 collections, to be paid annually to the States concerned.

Apart from a supplementary grant of $1.1m given to South Australia in 1945–46, the income tax grants were almost unchanged throughout the war years. The 1942 basis of income tax reimbursement virtually pegged State expenditure during the war and so pegged State claims on real resources, except in spheres where State activities were essential to the war effort, e.g., transport, power, water, and sewerage services to military establishments, etc. The tax reimbursement grants were generally adequate for State needs during the war because unemployment relief expenditure ceased and war-time shortages of men and materials forced lower expenditures, while revenue remained virtually at pre-war levels. In addition, railway finances were especially buoyant. However, after the war, with a return to more normal expenditure levels, a new basis of income tax reimbursement was necessary if the scheme of uniform taxation was to become a permanent feature in Commonwealth–State financial relations.

Tax reimbursement grants after 1945

At the Premiers' Conference in January 1946 the Commonwealth indicated its intention of continuing uniform taxation on a permanent basis, its reasons being that :

1. the Commonwealth faced heavy continuing commitments as a result of the war (debt charges, repatriation, etc.) and it had to be assured of adequate revenues to meet these charges ;
2. uniform income taxation was a desirable weapon for the successful implementation of full employment policies in the post-war period ; and
3. Commonwealth rates of income tax were and would continue to be materially higher than before the war, and the States would therefore have a narrower field in which to operate ; some States with relatively low taxable capacities would be embarrassed if they had to impose separate taxes in addition to Commonwealth rates.

It was decided that the total tax reimbursement grants in both 1946–47 and 1947–48 should be $80m, allocated as follows:

N.S.W.	Vic.	Qld	S.A.	W.A.	Tas.	Total
$32.9m	**$17.7m**	$13.2m	$6.9m	$6.8m	$2.4m	$80.0m

Following further discussions with the States during the next two years the total tax grant for 1947–48 was increased to $90m. In 1948–49 and subsequent years, the aggregate grant payable to the States in each year was determined by varying the sum of $90m in accordance with a formula which took account of variations in the total population of the six States since 1 July 1947, and the full percentage increase in the level of average wages per person employed in Australia as a whole over the level in 1945–46.

Distribution of the aggregate grant between the States was determined by another formula. In each of the financial years 1948–49 to 1956–57 inclusive, a decreasing percentage of the aggregate grant was to be distributed in accordance with the 1946–47 and 1947–48 allocations. The percentage to be divided according to those allocations was 90 per cent in 1948–49, 80 per cent in 1949–50, and so on down to 10 per cent in 1956–57, and nothing in 1957–58. The remainder was to be distributed in proportion to the populations of the States adjusted for the number of children of school age (i.e., an adjustment for education costs) and for the sparsity of population in the State (i.e., an adjustment for the relative difficulty of government administration). This meant that the whole of the tax reimbursement grants in 1957–58 and thereafter would be distributed in proportion to the States' adjusted population as outlined above.

It was thought that this formula would automatically work towards meeting the financial needs of the States in future years, but rising costs together with an increasing demand for State services made it inadequate to provide sufficient grants to the States in post-war conditions.

Although no change was made in the tax reimbursement formula between 1948–49 and 1958–59, the Commonwealth made *ad hoc* grants to supplement the formula grants in each year from 1949–50 to 1958–59. These supplementary grants were made in order to meet some of the rapidly growing demands of the States as population growth and economic expansion proceeded at high levels in the post-war period, and were distributed in proportions which usually differed from those of the formula.

In July 1952 the Prime Minister announced that his Government was prepared to restore income taxing rights to the States. His reasons were that this action would make the States masters of their own budgets, that it would rationalise to a greater degree than anything else the financial relations between the Commonwealth and the States, and that the Commonwealth Government believed in the federal system for Australia and therefore recognised the difficulty which existed when the Commonwealth sat in judgment on matters in which the States had constitutional responsibility.

The administrative and technical problems involved in a return of taxing powers were investigated by a Committee of Commonwealth and State Treasury officials and a report was presented to a Premiers' Conference in February 1953. Three major problems were involved. First, whether the States were to tax on a "residence" or "origin" basis, i.e., according to where an individual lived or a company had its head office, or alternatively, where income was earned. Second, differing laws governing assessment of income tax would make administration difficult, and would not have the advantages of relative simplicity and equity under uniform taxation. Third, there were problems of collection. Before the war most State tax departments acted as collecting agents of income tax for the Commonwealth but in any restoration of State taxing powers it would be desirable to preserve one collecting and assessing agent in the interests of economy and simplicity. The Treasury Officers' Committee reported that satisfactory machinery could be developed for the resumption of State income taxation. This was based on one return and one assessment which would show the separate liability for Commonwealth and State taxation. The Commonwealth taxation offices would assess and collect the tax and credit the appropriate proportion to the States. The Commonwealth and the States failed to agree on a basis for resumption of income tax by the States, especially on the extent to which the income tax field should be vacated by the Commonwealth. In consequence, nothing came of these negotiations.

Legal challenges to uniform taxation

In 1955 and 1956 legal challenges to the constitutional validity of uniform taxation in peace time were made by Victoria and New South Wales and the cases were heard together before the High Court in April 1957. This time, only the State grants and the "priority clause" were attacked. The ground of challenge was that the Acts were inconsistent with the constitutional independence of the States, and that the 1942 decision should either be over-ruled as incorrect, or set aside as resting essentially on the scope of the defence power in time of war, and therefore now irrelevant.

The High Court unanimously rejected the challenge to the Grants Act. It held that the Commonwealth could impose any condition it liked on a grant paid in accordance with section 96 of the Constitution. Thus the Commonwealth in making a grant can impose a condition that the State shall not exercise one of its constitutional powers, in this case, the power to levy an income tax. By a majority, however, the Court declined to follow the 1942 decision on the "priority clause". It held that, in the Australian federal system, the claim to priority could not be supported as incidental to the taxation power.

Financial assistance grants, 1959–1970

Because of the generally expressed dissatisfaction with the methods of determination and distribution of the tax reimbursement grants, and the fact that two additional States, Victoria and Queensland, had applied for special grants hitherto awarded only to three claimant States on the recommendation of the Commonwealth Grants Commission, the Commonwealth advanced the following proposals at the 1959 Premiers' Conference:

1. to amalgamate within some new revenue grant arrangements the large and increasing grants which were then being paid to supplement the tax reimbursement formula grants, and to devise a more liberal formula which would avoid the necessity for supplementary grants in the future;
2. to reduce to two the number of States which would in future continue regularly to apply to the Commonwealth Grants Commission for recommendations for special grants, and to reduce the dependence of these States on special grants; and
3. to arrive at a more generally acceptable basis of distribution of Commonwealth general revenue grants between the States.

The Commonwealth also proposed that the financial assistance grants payable to each State in the succeeding five years should be determined by adjusting the grant paid to that State in 1959–60 in accordance with a formula based on movements in the State's population, and on annual increases in the level of average wages for Australia as a whole. The formula also incorporated a "betterment" factor, the effect of which was to increase by 10 per cent the average wages component of the formula. Thus, in any financial year subsequent to 1959–60, the grant payable to each State would be determined by varying the grant paid in the preceding year according to the change in the population of that State and 1.1 times the percentage increase in average Australian wages in the preceding year.

In April 1965 the States expressed the view that the annual rate of growth of the financial assistance grants under the 1959 arrangements had been too slow to allow State services to be developed at a rate compatible with the increasing demands for them resulting from the rapid population and economic growth of the States. The core of the problem was that the States did not have access to "growth" taxes such as income tax and pay-roll tax which automatically yield increased revenue with the development of the economy.

At a subsequent Premiers' Conference in June 1965 the formula agreed upon for the ensuing five years was that the grant for each State for each financial year would be determined by taking that State's grant for the previous year and increasing it by the percentage change in the population of that State during the year ending 31 December of the year of payment; the amount so obtained would then be increased by the percentage increase in average wages for Australia as a whole for the financial year immediately preceding the year of payment; and this amount would then be increased by a " betterment " factor of 1.2.

In February 1967 a change was made in the formula for determining financial assistance grants. It was agreed to calculate the percentage increase in average wages over the twelve months ending March in the year of payment, instead of over the financial year immediately preceding the year of payment. This had the effect of reducing the time lag before increases in average wages were reflected in the grants.

Despite the changes which had occurred in the grants formula, Victoria and the other States still claimed that the rate of growth of the grants was inadequate for the States to finance their increased expenditures. These had increased not only to provide improved services in fields such as education and health but also because of wage increases and other rising costs associated with State activities being carried on at normal levels.

State revenue and expenditure, 1949–50 to 1969–70

In the post-war period changes occurred in the structure of the revenue received by the Consolidated Revenue Fund and in the pattern of expenditure from that fund. Commonwealth payments changed from their pre-war marginal nature to an important source of revenue for the State. In 1949–50 Commonwealth payments totalled $36.7m and by 1969–70 this had increased to $297.9m, or by more than eight times. Over the same period the State, which had no access to income tax, pay-roll tax, or excise duties, increased its taxation revenue from $15.0m to $195.1m. This was partly achieved by large increases in probate duties and land tax and by taxing revenues from totalisator operations. Most importantly it was achieved by the extensive use of State stamp duties which had become by far the most important source of State taxation revenue.

In the post-war period significant changes also occurred in the pattern of the State's expenditure from the Consolidated Revenue Fund. Expenditure on education increased thirteen times from $17.3m in 1949–50 to $241.5m by 1969–70 to become the most important item. It was considerably in excess of debt charges, which totalled $154.4m in 1969–70 and was the second major item of expenditure. Expenditure on health also showed a dramatic increase from $9.6m to $97.1m over the period, as did social welfare expenditure which grew from less than $1m to nearly $12m.

Expenditure on public works and buildings from the Consolidated Revenue Fund has shown a small rate of growth since 1949–50 and was only $7.9m in 1969–70. However, almost all of the State Government's capital works expenditure other than for road works is financed from the Loan Fund. Victoria's loan programme for State works and housing purposes has increased from $42.9m in 1949–50 to $193.4m in 1969–70. Accompanying this has been a rapid rise in the public debt of Victoria to reach $2,770m by 30 June 1970, with its consequent effects on the growth of debt charges.

State receipts duty

In 1967–68 the Victorian Government extended its stamp duty legislation to include a duty on receipts at the rate of 1 cent in $10 on an extremely wide tax base including wages and salaries. Victoria became the second State (after Western Australia) to extend receipts duty in this way. However, the Commonwealth Government announced that it regarded receipts duty as it applied to salaries, wages, and like payments, as an income tax, and, as such, contrary to the financial assistance grants arrangements. As a result of the Commonwealth's attitude, receipts duty as it applied to salaries and wages in Victoria was repealed from 30 June 1970.

By 1970 all States had passed legislation extending their receipts duty except on wages and salaries. On 19 February 1970 the High Court handed down judgment in two test cases concerning the constitutional validity of State receipts duty. In both cases the High Court judged that the duties constituted an excise and that the States' legislation, to the extent that it applied to money received from the sale of new Australian manufactured goods, was constitutionally invalid.

Following these judgments the Commonwealth Government submitted to Parliament a Bill to protect State revenues by imposing receipts tax on behalf of the States. The Bill was defeated in the Senate. The Commonwealth Treasurer subsequently announced that the Bill would be re-submitted in the Budget session as part of the Commonwealth's Budget for 1970-71. The Bill was not proceeded with when it became clear that it would face certain defeat in the Senate once more.

To protect the States' budgets from the loss of the receipts duty the Commonwealth agreed to make grants to the States in 1970–71 to make up the short-fall in receipts duty collections in that year. It was also agreed that an amount would be built into the Financial Assistance Grants formula to compensate the States for the loss of receipts duties. Receipts duty of all kinds ceased on transactions after 30 September 1970.

Revenue assistance arrangements, 1970–71 to 1974–75

In February 1970 the Prime Minister and the Premiers of the States met in Canberra for preliminary discussions concerning the new financial arrangements between the Commonwealth and the States to be introduced after the financial assistance grant formula expired on 30 June 1970. For many months before the February conference the State Premiers had conferred to formulate their views on the arrangements to operate from 1 July 1970.

Following their deliberations the Premiers produced a document entitled *The Financial Relationship of the Commonwealth and the States. A Statement by the Premiers of all of the States.* After analysing the problems associated with the present structure of the Commonwealth–State financial relationships the Premiers, in Part VI of their statement, put forward four proposals for future long-term financial arrangements between the two levels of government:

1. That the tax reimbursement grants for a transitional period from 1st July, 1970, should be determined by adequately increasing the base total as determined under present arrangements, and adopting a new

system of increases upon that base in line with the observed rate of growth in income tax yields.

2. That Commonwealth and State Treasury officers be instructed to devise a scheme whereby the States shall have access to income tax broadly along the lines of the system presently operating in Canada, but adapted to Australian circumstances and to the recognized needs of the less populous States.

3. Upon re-entry of the States into the field of income taxation appropriate adjustments be made to financial assistance grants to offset the effects of the lower *per capita* yields available to the less populous States from income tax, to preserve the financial equalization provisions presently available to the less populous States, and to provide for escalation of the continuing financial assistance grants in line with the expected yield of income taxation.

4. In the course of financial re-arrangements, consideration must be given to permitting participation by the States in such capital and developmental funds as may be secured from revenue sources; to a review of the recent trend to proliferation of Commonwealth " special purpose " grants ; and to the possibility of the States securing access to wider revenue fields presently under the control of the Commonwealth, as well as to income tax.

These proposals were the basis for discussion at the Conference in February 1970. The Prime Minister expressed the belief of the Commonwealth Government that " there is a need for an increase in the capacity of the States to provide the services that they are required to provide " and acknowledged that " the States have within the regions of taxation open to them done a very great deal indeed to help themselves."

But the Commonwealth Government insisted on the maintenance of uniform income taxation and therefore reached the conclusion as expressed by the Prime Minister " that we do not believe that we ought to vacate the income tax field, either company or personal income tax, and certainly we should not seek in any way to emulate what is being done in Canada in this direction. " *

The Commonwealth, however, made other proposals for improving the financial situation of the States. These were outlined in more detail at the Premiers' Conference in June 1970, and were implemented in 1970–71. Those which affected Victoria were :

1. The basic tax reimbursement grants to be paid to each State in the 1970–71 to 1974–75 period to be determined by applying the formula which had been used for the calculation of the grants in 1969–70 with the following additions and amendments :

(i) an addition of $40m to be made to the 1970–71 grants determined under the existing formula and this amount to be incorporated in the 1970–71 base for purposes of determining the formula grants for 1971–72 and later years. The amount of $40m to be distributed between the States in the same proportions as their 1970–71 formula grants.

(ii) the " betterment " factor in the formula to be increased from 1.2 to 1.8 commencing in 1971–72.

* Conference of Commonwealth and State Ministers, Canberra, 26 February 1970. Proceedings of Conference, page 11.

2. In addition to the amounts calculated under the formula, grants of $2 per capita to be made to New South Wales and Victoria for each of the five years.
3. An interest-free grant to the States of $200m to commence in 1970–71 and increase in future years in the same proportion as the increase in the total Loan Council works and housing programme. The grant to be non-specific and to be regarded as a contribution towards non-revenue producing capital works expenditure by the States.
4. The Commonwealth to make grants to the States in 1970–71 equal to the debt charges on $200m of State debt and on an additional $200m in each of the subsequent four years so that, by the beginning of the financial year 1974–75, the Commonwealth will have accepted full responsibility for the interest and sinking fund payments on $1,000m of the existing $11,000m State debt. This amount of debt which will be formally transferred to the Commonwealth in June 1975 carries an average interest rate of 5.5 per cent and the distribution between the States will be in proportion to their respective outstanding debts under the Financial Agreement as at 30 June 1970.

The proposals were not accepted by Victoria or South Australia but were agreed to by the other States. In his Budget Speech in September 1970 the Premier of Victoria informed Parliament that the proposals put forward by the Commonwealth would present Victoria with grave financial embarrassment from the very first year, and that he could not therefore agree to them.

The proposals were made on the condition that, among other things, the States and their authorities would continue to pay pay-roll tax. The Government of Victoria did not seek an appropriation to pay pay-roll tax so that the validity of the Commonwealth legislation, in relation to its application to State Governments, could be determined and clarified. Victoria's challenge to the validity of the Commonwealth pay-roll tax legislation was heard before the High Court in November 1970. In a unanimous decision in May 1971 the Court upheld the validity of the Commonwealth legislation.

In February 1971 the effect on the States' budgetary position of the wage awards recently handed down by wage fixing tribunals was discussed at a special Premiers' Conference. The awards cost Victoria $31m in 1970–71 and $62m in a full year. The Commonwealth took the view that because of inflationary forces in the economy the States should carry the deficits they faced in 1970–71 but, after discussion, the Prime Minister suggested that there should be further discussion of the problem in April.

At the April conference, by which time Victoria had acted to reduce budgeted expenditure by $10.5m, the Commonwealth provided special revenue assistance to the States of $43m to reduce State budget deficits and agreed to discuss a growth tax for the States in detail at the Premiers' Conference in June 1971.

Transfer of pay-roll taxation to the States

In June the Commonwealth agreed to transfer pay-roll taxation to the States in 1971–72 to provide a growth tax. The financial assistance grants would be reduced by the amount of State pay-roll tax collections, at existing rates, in 1971–72, less $22.7m. In addition the States would receive a nonrecurring grant of $40m making their total additional revenue assistance for 1971–72 $62.7m. It was also agreed that upon the transfer of pay-roll tax to the States, local authorities, other than in respect of their business activities, would be exempted and the cost of providing the exemption would be met by the Commonwealth. To obtain sufficient revenue growth from the new tax to finance their 1971–72 budgets, the States jointly announced their intention to increase the rate of pay-roll tax from 2.5 per cent to 3.5 per cent.

Specific purpose payments

In addition to general purpose payments by way of the Financial Assistance Grants, the Commonwealth has also been making payments to the States for specific purposes. Many of these payments have taken the form of grants, while others have been loans at interest. The table on page 306 summarises these payments to or for Victoria over the ten years from 1959–60 to 1969–70.

It is apparent from the table that education and roads have been the fields to which most of these payments have been directed. In some instances, for example, grants to independent schools and for science laboratories, the payments are a method of implementing a particular policy of the Commonwealth Government, and the State acts as the agent of the Commonwealth in making payments to the schools concerned. In other cases the Commonwealth payment made is usually accompanied by the proviso that the States make payments of a certain level to match the Commonwealth grant. The payments for universities and colleges of advanced education are examples of this type of arrangement. In order to receive the Commonwealth grants for recurrent purposes for these institutions, the State payments to the universities and colleges together with their fee income must amount to $1.85 for every $1 received from the Commonwealth, i.e., the Commonwealth provides some 35 per cent of the total recurrent funds of the institution and State grants and fees provide the remaining 65 per cent. Thus there are significant effects on the finances of the State if the Commonwealth decides to increase assistance to these institutions, the cost of the increase being always greater for the State than the Commonwealth. For capital grants to these institutions the State must provide $1 for every $1 received from the Commonwealth.

Commonwealth payments for roads are provided under the Commonwealth Aid Roads legislation which consists of five-yearly arrangements between the Commonwealth and the States. During the term of the 1964–65 to 1968–69 Agreement, State sources of funds were financing approximately 75 per cent of road works, with the Commonwealth grants providing the balance. A new arrangement has come into force for the 1969–70 to 1973–74 period and provides for an increase in Commonwealth payments. However, the Commonwealth's contribution during this period is likely to be less than half of total roads funds expended in the State.

The decline in payments for " other " purposes is a result of the completion of railway standardisation projects for which the Commonwealth made payments of almost $32m to Victoria between 1957–58 and 1962–63. Of this amount $9.5m was in the form of loans at interest and the remainder was a grant.

Despite the growth in specific purpose payments to Victoria, Commonwealth financial assistance to the State is still predominantly in the form of untied payments, the expenditure of which is determined solely by the Government of Victoria, having regard to the competing demands of the various sections of the public sector of the Victorian economy.

VICTORIA—COMMONWEALTH SPECIFIC PURPOSE PAYMENTS(*a*)
($m)

Particulars	1959–60	1969–70	Increase
Education—			
Universities			
Recurrent purposes	2.0	14.8	12.8
Capital works	0.8	4.5	3.7
Colleges of advanced education			
Recurrent purposes	..	4.8	4.8
Capital works	..	2.9	2.9
Grants to independent schools (*b*)	..	4.0	4.0
Science laboratories	..	4.0	4.0
Technical training	..	3.0	3.0
School libraries	..	2.2	2.2
Teachers colleges	..	3.3	3.3
Total education	2.8	43.5	40.7
Roads	17.3	38.2	20.9
Health—			
Tuberculosis hospitals	2.2	3.5	1.3
Other	1.2	1.2	..
Total health	3.4	4.7	1.3
Other	7.6	4.4	−3.2
Total	31.1	90.8	59.7

(*a*) Excludes payments under Financial Agreement.
(*b*) In this context "independent schools" means all non-government schools.

3

RURAL INDUSTRY

In the early days of Australian settlement the Government of New South Wales encouraged the production of an adequate supply of foodstuffs for the support of the Colony, and gave assistance by the purchase of wheat at guaranteed prices and by the establishment of State-owned farms. By the early 1800s self-sufficiency was achieved in grains, but because of lack of export capacity there was little to be gained from cropping in excess of this requirement. Partly as a result of this, the authorities considered other kinds of land use and when they realised that the natural environment was well suited to the production of fine wools, efforts were made to introduce suitable types of sheep. The increasing activity of woollen mills in England, the removal of duty on wool imported from the colonies, and the increased availability of shipping at reasonable rates all assisted the development of the pastoral industry. Income in addition to wool sale earnings was gained from the provision of meat for a growing population.

The pattern of rapid development was checked by a severe drought and the consequent economic crisis in 1828. However, the industry recovered and speculation with borrowed funds was stimulated by foreshadowed changes in land prices and policies. Development and expansion continued until 1839 when the flow of funds from London virtually stopped, causing financial chaos in the pastoral industries both in New South Wales and the Port Phillip District. The economic situation was worsened by serious drought and falling stock prices and recovery was somewhat slower than after 1828. It was aided by the establishment of boiling down works to obtain tallow from sheep, which gave some relief from the very low prices, and also by the 1843 Act of Council permitting banks to lend against liens on livestock and wool. With finance available and the passing of the drought, the pastoral industries gradually recovered.

In Victoria, the gold discoveries of the 1850s not only substantially increased population but also resulted in acute labour shortages. Under these conditions, changes had to be made in the methods of husbandry—shepherding became less intensive, properties were fenced, and washing of sheep before shearing virtually ceased. Increased population meant increased demand for food, and so meat prices rose. After 1851 wool prices also recovered and the remaining boiling down works were closed. The pastoral industry was thus achieving financial strength.

The Victorian Land Acts of 1865 and 1869 gave a basis for agricultural as distinct from pastoral settlement. At this time the invention of the stripper, the stump jump plough, and later the harvester, permitted economic wheat farming despite declining yields. From the 1870s onward the railway system developed rapidly and this facilitated the expansion of agriculture inland. The invention of the Bessemer steel-making process during the 1870s and the consequent mass production of iron products including wire meant that fencing and subdivision could proceed more quickly.

The general economic situation in the early 1880s was sound. The price of wool was steady, cropping areas had increased substantially, and there was a period of freedom from drought after 1879. The general terms of overseas trade favoured the Colony and it was hoped that refrigeration would solve shipping problems to Britain and Europe. Better sheep breeding and husbandry with improved water supplies resulted in increased output, while capital expenditure on rural industries, largely financed by banks and pastoral companies, reached high levels. British investment flowed into Australia, much of it into speculative ventures, with Melbourne as the centre of spectacular land deals. When speculation ended in the early 1890s, the whole economy was again affected and the situation was aggravated by falling wool prices. Once again finance became very scarce, and because landholders were unable to repay loans negotiated at high interest rates, many holdings were taken over by banks and pastoral companies. The difficulties of rural industries were accentuated by rabbits, which had reached plague proportions at a time when trade and other economic activities were severely retarded during the depression of 1893. A serious drought began in 1895 and continued virtually unrelieved until 1902. As the effects of the long drought waned, rural development, aided by research and general economic recovery, proceeded rapidly.

During the First World War adjustments in production and changes in the disposal of products became necessary, labour was scarce, supplies were not easy to obtain, and shipping was difficult. Soon after the war and before the recovery of European production, prices for rural products were high. Ambitious schemes of soldier and migrant settlement were undertaken, and rural industries expanded in spite of incipient price falls during that decade. However, with the world-wide depression of the early 1930s, all rural industries were affected by further falls in export prices. The values of agricultural machinery dropped and this compounded indebtedness; settlers on marginal land were especially vulnerable. The situation was helped in the early 1930s by the devaluation of Australia's currency by 20 per cent, although it was still necessary for other measures to be taken. Relief Acts were introduced providing work, housing, and food for the unemployed and preventing foreclosure for debt; later under the Farmers Debts Adjustment Board a scheme of debt adjustment reduced farmers' liabilities. However, in spite of these measures some farmers had to abandon their properties. After 1932 the Ottawa Agreement, which conceded preferential duties and sales quotas on the British market, alleviated the position of the dairy and meat producing industries, and from 1932 to 1936 bounties were paid to wheat growers. Despite these measures the rural industries had not fully recovered when war broke out in 1939, and, as in the First World War, the farmers worked under the difficulties of shortage of labour and of commodities such as superphosphate. Access to world markets was restricted and farm conditions deteriorated during the severe drought of 1944–45. Before the war had ended, war service land settlement schemes had been planned and were to prove generally successful because of lessons learnt from the past. Government control of marketing in the form of inter-governmental contracts for many products continued for some years after the war ended. The post-war period was marked by world-wide shortages of food and fibres, and the rural industries thus enjoyed a period of prosperity, culminating in 1951–52 when wool prices reached previously unmatched levels. However, as production began to recover in other countries, world prices for most products declined from the mid-1950s onwards.

Production in Australia continued to expand under the stimulus of rapid technological advance, control of rabbits by myxomatosis, and the introduction of more effective marketing schemes. However, during the 1960s marketing problems intensified. Agricultural policies, notably in the European Economic Community and the United Kingdom, disrupted traditional trading patterns and had strong effects on world prices. The direction of trade for many rural products changed ; the United States of America had become a major buyer of Australian meat, China became an important wheat purchaser, and Japan displaced Britain as the major purchaser of Australian wool.

However, in the late 1960s, difficulty in marketing some rural products, and especially the high costs in relation to returns from these products, put many farmers in financial difficulties. Government schemes for assistance to rural industries were introduced.

SHEEP

Marketing

The early settlement of Victoria by the Hentys at Portland in 1834 and by John Batman at Port Phillip in 1835 was prompted by pastoral aims. By 1836 there were 41,000 sheep, and soon squatters were moving down from New South Wales. Most of the wool produced from the rapidly growing flocks was carted by the grower to Melbourne, where it was sold to general merchants who carried out most of the District's trade. The wool was forwarded to England, and sold at the London auction to specialist buyers working on account of the ultimate processors. By the late 1840s, however, marketing methods had begun to change. A series of good seasons and prices, and an inflow of British capital, had allowed the majority of growers to avoid the middlemen's costs and to forward their wool under their own names to London. In fact, most wool was consigned by merchants and banks at the grower's risk. This method of sale has persisted until the present, but since the 1880s has been of steadily decreasing importance. Since 1946 only 1 to 2 per cent of the Australian wool clip has been consigned for sale in London.

In 1848 Richard Goldsbrough supplied the first facilities for the auction of wool in Melbourne. The buyers, however, continued to be mainly merchants and middlemen who resold on the London market. Auction sales began at Geelong in 1857. Most wool sold through these stores was provided by small growers who could not afford either the long delay in payment or the freight costs to London ; the large " station lines " which were in demand were usually consigned direct. Nevertheless, the local auctions grew in volume, helped by variations in prices and the droughts of 1865 to 1869, and of 1888, which forced more and more growers to attempt to cut selling costs and seek local finance. This usually tied them to a particular consignment agent or broker, and began to attract agents of European and British manufacturers, and dealers seeing advantages in cutting out the London selling agents and buying on an essentially speculative and " weak seller " market. This trend eventually drained so many buyers from the London market that the large finance and consignment houses which had previously handled most of the business were forced to set up their own broking establishments in Melbourne and other selling centres. Noteworthy among these were Dalgety and Borrodale, and the New Zealand Loan and Mercantile Agency. The opening of telegraphic communications in 1872 was an essential requirement for the development of the local auctions, because it allowed direct contact between the British manufacturers and their local agents.

Since the early 1900s the local auction method of selling has been consolidated and has persisted with practically no change. Wool is forwarded at the grower's risk to a broker's store. There it is sold, in approximate order of receipt, by displaying a portion of each line for buyers to evaluate, and then by auctioning by voice at a central location. As was the case in Melbourne, auction sales in Geelong came to handle increasing proportions of the clip. Methods of marketing small amounts of wool varied. It could be sold to a private buyer who would sell through the local auction room, by consignment to the London auction, or by forward selling on the Sydney Greasy Wool Futures market where the wools also pass through the auction room. An additional selling centre was established at Ballarat in 1918, but at its peak in 1949–50 only 4,480 bales were sold there. Since then there has been a steady decline and only 1,454 bales were sold in 1969–70. In 1962, after considerable demand for its establishment, an auction room was also opened at Portland; it has attracted significant quantities for sale and 210,000 bales were sold in 1969–70.

During the war years the auction system did not function normally. Practically all wool offered for sale from 1916 to 1919 and from 1939 to 1946 was purchased by the British Government by means of appraisal and reserve prices. Stocks held over were released on the normal markets following the acquisition schemes, leading to a significant fall in prices in 1920 but having little effect on the boom markets of 1946 to 1951.

In 1951 and again in 1965 referenda among wool growers rejected the proposal for reserve price schemes within the auction structure. However, in December 1968 the Australian Wool Industry Conference approved the establishment of a non-statutory wool marketing authority for maintaining and improving standards of preparation of wools, and eliminating 1, 2, and 3 bale lots (" star " lots) by amalgamation to form larger lots, which would be placed on the auction market under supply control and price averaging pool systems. Instituted in July 1969 this arrangement brought a large proportion of the Victorian sales under a modified reserve price scheme. In 1970 the wool auction system was modified by the creation of the Australian Wool Commission. Because of its essentially free nature in former years the auction system has allowed considerable price variation. However, as a more even distribution of wool types is available at the Victorian centres, this variation has not been as extreme as in some other States.

With the spectacular increase in the non-agricultural population after the gold rushes of the 1850s, the demand for mutton rose. Concurrently, during the latter part of the nineteenth century, the British wool market demanded mainly longer stapled wools. As a result Victorian growers placed more emphasis than previously on the long-wool mutton breeds. Helped by a more temperate climate and a generally smaller farm size, these breeds have persisted in Victoria to a greater extent than in other States with the exception of Tasmania.

Prices

Prices appeared to be quite attractive until the early 1840s when a decline occurred until 1848. This was followed by a general rise until 1872 when a peak was reached. Although there were minor price fluctuations, generally a decline followed, culminating in a very low price period in the general depression from 1891 to 1902. The effects of these low prices on the growers were heightened by a series of major droughts. From 1902 to 1914 prices were stable but only slightly higher. A general rise then followed to a peak in 1924–25. During the depression of the 1930s prices were again at their previously low stable level, but revived during the Second World War. After the war, a spectacular boom occurred and prices rose to a record in 1951–52. After 1951–52 prices declined gradually until 1968–69 when there was a sharp fall. By 1970–71 the clip averaged only 30c per lb, which was the lowest price for more than 20 years.

Within the seasonal variation, there have been variations in the relative values of different wool qualities. For a period late in the nineteenth century some coarse wools received higher prices than fine wools. However, there has normally been a considerable price differential in favour of fine wools. In the late 1950s and early 1960s this differential narrowed again, but in 1967–68 a significant fall in the price of coarse wools allowed the difference to move towards more usual values. Since 1900 slightly less than 50 per cent of wool sold in Victoria has been of the Merino type. A significant amount of wool sold in Victoria is grown in other States: e.g., in 1969–70 of 1,700,000 bales sold, 600,000 bales (33.5 per cent) were from interstate. However, very little Victorian wool is sold elsewhere in Australia; there were only 6,700 bales in 1969–70.

BEEF CATTLE

Beef cattle have always been a feature of Victorian pastoral production, but were of only secondary importance in the early years. Until the 1880s, when refrigeration permitted the export of frozen carcasses, the only markets for cattle arose from the local demand for meat, or for the tallow and hides of drought-stricken animals. However, with the availability of export markets, the production of cattle increased markedly during the latter part of the nineteenth century. A general fall in numbers followed from a peak in the 1890s until the 1930s. The most significant cause was competition with the Argentine for the British market, in which Australia had a freight disadvantage. But droughts also contributed greatly to the fall in numbers to the 1930s, for traditionally beef cattle are run on the less accessible and less improved areas and therefore are much more vulnerable to drought. Since the 1930s there has been a steady increase with rapid growth in numbers in the late 1960s.

Meat exports from the whole of Australia since 1936 have been controlled by the Australian Meat Board through the issue of export licences. The Board was set up with the aims of regulating shipments, arranging contracts for freight and insurance, promoting overseas sales by advertising, and encouraging research. Funds were originally provided by a levy on exported meat, but they are now provided by a levy on stock sold for slaughter. In 1951 a fifteen year meat agreement (1952 to 1967) was signed with the United Kingdom Government with the aims of promoting the production of meat in Australia and providing a satisfactory market for meat in Britain. Minimum prices were set and any deficiency was to be made up by Britain. In 1952, at the institution of the agreement, only 3 per cent of Australia's exports in the categories under the agreement were permitted to be sold on other markets. At various times since then minimum prices have been reduced, but to balance this Australia has been permitted to send larger quantities to other destinations. Although meat could be exported to the United States of America from 1948, these exports were relatively small until all restrictions under the United Kingdom–Australia Meat Agreement were removed on lower grades of beef in 1958. As a result, during 1959–60 the United States of America for the first time took more beef than Britain. Concurrently, exports of mutton and lamb have also increased greatly to the United States and even more markedly to Canada, and since 1960 the North American market has consistently taken more meat than Britain. However, in 1964 a United States–Australia Meat Agreement was signed, which restricted the amount of exports to the United States, and in 1968 the Australian Meat Board was forced to restrict supplies to the United States under this agreement for the first time.

Cattle production has frequently been associated with sheep. In 1971 the Western District carried 37 per cent of the Victorian sheep population and 25 per cent of the cattle population. Refrigeration also allowed the dairy industry to enter export markets. The resulting expansion of dairying led to an increase in surplus dairy cattle for slaughter. To a very large degree the dairy industry has met the demand for beef and veal, and limited the expansion of beef herds. In fact, although it had a relatively small beef herd, Victoria was second only to Queensland in beef production in 1967. As an overall meat producer, Victoria is the largest in the Commonwealth, primarily as a result of being the largest mutton and dairying producer. Depressed wool prices subsequent to 1969 and uncertainty regarding future markets for dairy products led to greater emphasis on beef production. In 1971 some 5.1 million head of cattle were grazed in Victoria, and production of beef was 290,000 tons in 1970–71.

WHEAT

Wheat growing from early settlement to 1860 was characterised by a slow expansion of acreage. As the population increased from 10,000 to 540,000 persons between 1840 and 1860, Victoria was not self-sufficient in wheaten flour. There were many reasons for this. Roads were poor and it was therefore necessary to grow wheat in areas accessible by water transport or close to the centres of population ; coastal navigation was restricted to small vessels and this made the transport of wheat uneconomic ;

shipping to and from Europe was difficult; government policy was largely one of laissez-faire and there was no protection from imports; and sheep grazing had a comparative physical and economic advantage over cropping. By 1859–60 there were 107,000 acres yielding 2.3 million bushels.

The Victorian wheat industry was really established only after 1860. The railways were extended; immigration expanded the population; surface gold mining declined and labour was redistributed; and improved machinery made it both feasible and economic to harvest large and lower-yielding areas. Most of the increase in wheat area occurred on the land made available under the Land Acts of 1860, 1862, 1865, and 1869. The growth in acreage first decreased in the north of the State in 1880, and then in the Wimmera in 1890. The last agricultural area to be developed in Victoria was the Mallee, where the soil was found to be light, making it responsive to the low rainfall and easy to work. However, it was not recognised that the establishment of a permanent agriculture on these light soils, particularly under conditions of low rainfall, required new husbandry techniques, and the result was a form of land settlement which forced upon the farmers an exploitive form of agriculture; this was to create difficulties for the farmers of the next generation. Between 1860–61 and 1893–94 the Victorian acreage increased from 161,000 acres to 1,469,000 acres. During this period Victoria also developed as a wheat exporting colony, second only to South Australia, the exports going mainly to the United Kingdom, and to Guam in the Mariana Islands. Clipper sailing ships, by exploiting the westerly winds, made low cost global circumnavigation a practical reality and therefore greatly assisted export development.

Although acreage expanded from 1860 to the depression years of the early 1890s, the yield per acre exhibited a steady decline which was not checked until the early 1900s. However, the factors which were eventually to reverse this trend were already under development. For instance, Farrer's pioneering work on wheat varietal breeding and selection, together with the introduction of superphosphate fertiliser and the improvement in farming techniques, especially fallowing for moisture conservation and nitrogen release, were to have great economic importance after 1900.

A number of important developments of economic consequence occurred between 1893 and 1903: mechanised equipment suited to local soil and surface conditions became widely employed; the vital significance of superphosphate in overcoming the most important Australian soil deficiency was recognised; and new varieties of wheat, suited to the environmental conditions of the newly developed wheat lands, were evolved and substituted for the earlier unsuitable varieties. The Government expanded the Department of Agriculture, nationalised the use of water, and encouraged closer settlement schemes.

An emergency expansion of acreage followed the 1914 drought, and 3,680,000 acres were sown in the season 1915–16; however, a violent contraction in acreage followed, owing to war-time marketing and production difficulties. It became necessary, therefore, for the Commonwealth Government to establish compulsory wheat-pooling. Initially growers were not represented on Commonwealth or State Boards which managed the pools, but later they were given one representative on the Commonwealth Board and one on each of the State Boards.

After the 1921–22 season the compulsory pools came to an end. Growers attempted to organise marketing on a voluntary basis, and pools existed in Victoria for every crop until 1937–38. However, with the exception of Western Australia, these voluntary State pools did not receive strong support.

During the 1920s seasons favoured the primary producer and prices were above average. Governmental schemes aimed at settling ex-servicemen and others on the land. With the advent of the Wimmera–Mallee Domestic and Stock Water Supply System, the establishment of a stable mixed farming system became possible in these areas. Unfortunately, the land settlement schemes were based upon holdings which were too small for stable farming, especially in the Mallee division, and the economic crisis of 1929–30 marked the end of an era in the Victorian wheat industry.

During the world economic crisis of the early 1930s the Commonwealth attempted to maintain the volume of overseas funds by urging farmers to increase their wheat acreage. An attempt was made to stabilise wheat prices through the Wheat Advance Act of 1930. This guaranteed 3s a bushel, less freight and handling charges incurred in placing wheat for export on board ship at port of export, and the first payment was to be 2s a bushel on delivery. As long as the increased wheat acreage met with reasonable seasonal conditions, production could be expanded rapidly, and the Commonwealth and State Governments therefore launched a publicity campaign to grow more wheat. Victorian farmers increased acreage from 3.56 million acres in 1929–30 to 4.6 million in the following year, but the 1931 record crop met the lowest world wheat prices for many years. The Government was unable to meet either the 1930 or 1931 promised prices of 4s and 3s, respectively, and many growers faced bankruptcy.

Devaluation, farm relief Acts, granting moratoria to prevent foreclosure for debt, temporary assistance, and bounties all brought some relief. In 1933 the Victorian Government introduced measures aimed at correcting the situation of settlement in marginal wheat areas, and some 3,000 farmers were involved in reconstruction measures which continued into the 1940s. The Royal Commission of 1934 on the wheat, flour, and bread industries assisted stabilisation, and the first successful home consumption price scheme was introduced in 1938. Its object was to provide a home consumption price of 5s 2d a bushel f.o.r. for wheat manufactured into flour for local consumption.

The years between 1939 and 1950 witnessed a period of war and post-war recovery. The first Australian Wheat Board was appointed on 21 September 1939 under the National Security Act to acquire and dispose of all marketable wheat. The Government appointed all the members of this original Board, although during the next few years the Board's constitution changed. During the Second World War, isolation from markets, labour shortages, superphosphate shortage, and restrictions on other supplies, together with two serious droughts, caused difficulties, but some consolidation of the Victorian wheat industry was achieved. In 1946 the Commonwealth Parliament passed the Wheat Industry Stabilization Act, which embodied the previous principles of a guaranteed price, a home consumption price, a stabilisation fund, and a central marketing organisation, and in addition incorporated an index of costs of production. This was a new feature and connected the price guarantee with "fair" production costs. The Government undertook to guarantee a price equal to the costs of production for an export quantity of 100 million bushels. When the export price was higher than the guaranteed price, 50 per cent of the difference, but not more than 2s 2d a bushel, was to be paid into the stabilisation fund. On the other hand, when the export price was lower than the guaranteed price, the wheat growers were to be paid, from the stabilisation fund, the difference between the market price and the guaranteed price. If the fund accumulated to an excessive amount, the earliest contributors were to receive a refund, and should the fund be exhausted, it was to be supplemented from Consolidated Revenue.

High wool prices in the early 1950s gave impetus to the incorporation of sheep on wheat farms. However, the trend had been reversed in the 1960s when wool and lamb prices continued to fall and wheat again became the more important activity in mixed farming areas. This trend continued well into the late 1960s with an expansion of acreage, much of it on former grazing properties.

The wheat industry has grown into an important export earner and represents a powerful sector of the farming community. The history of the Victorian wheat industry since 1950 parallels the history of the Australian wheat industry, which in turn reflects the operation of the Commonwealth stabilisation schemes in relation to world markets. In the early schemes wheat prices were calculated on the basis of a cost of production formula which bore little connection with world prices. As a consequence, in the early years of the fund, the grower was paid less than world prices, the fund grew, and the Australian consumer benefited. However, with growing world surpluses and problems with the International Grains Agreement, the world price fell to the extent that payments into the fund ceased altogether in 1956–57; in 1959–60 $6m was appropriated from the Consolidated Revenue of the Commonwealth to make good the deficiencies. Sums paid out rose to $15m in 1966–67, with a tendency to become larger as the gap between export returns and costs of production widened. The 1963 stabilisation plan, while lowering the guaranteed price from $1.58 to $1.44 per bushel, increased the production in excess of home consumption covered by the guarantee from 100 to 150 million bushels for Australia.

Fortunately, world markets became available in the early 1960s for the extra wheat produced in Australia, and this had the effect of forestalling the need to discourage extra wheat production. Asia had become the area in which most of Australia's trade was conducted in the late 1960s; mainland China was the largest single importer of Australian wheat.

The fifth wheat stabilisation plan, providing for the five seasons beginning with the 1968–69 crop, involved an important change in policy as the old link betwen the home consumption price and the guaranteed price was broken. In this plan the guaranteed price is derived from world trading conditions. This was necessary because of the increasing amount of money being spent by the Commonwealth under the old plan. In the ten seasons from 1959–60 to 1968–69 the Commonwealth had spent a total of $185m. The guaranteed quantity in excess of home consumption was increased from 150 million to 200 million bushels, and amending legislation introduced in 1969 gave the Wheat Board power to sell wheat for stock feed in Australia at prices below those set for human consumption, but at not less than the guaranteed price. Because of world over-supply of wheat, the Australian industry was unable to market the record 1968–69 harvest and a quota delivery system was introduced for the 1969–70 harvest. The Victorian quota was 52 million bushels in 1970–71 and 57 million bushels in 1971–72. Since the introduction of production quotas it appeared that during the next decade the wheat farmer would need to farm more flexibly; he might even need to be able to change over to alternative crops and livestock enterprises according to wheat market demands, and higher levels of management efficiency would be required.

DAIRYING

In Victoria, the industry made little real progress until after 1870, although dairying had developed in areas close to Melbourne and to an extent on the better lands of the Western District. Before 1870, and in common with other colonies, the produce of Victorian dairymen was restricted in its market outlets. Export was not feasible. An attempt had been made to ship butter to England but the cargo deteriorated. The local market was subject to severe seasonal price fluctuations resulting from variations in supply. Spring prices for butter were often below 6d per lb, and the autumn–winter prices were as high as 2s 6d per lb. These conditions did little to encourage the development of land for dairying, particularly as most of the best country for the purpose (e.g., Gippsland) was heavily timbered and inaccessible. At this time dairy products were prepared on individual farms and there were great variations in quality.

Between 1870 and 1880 settlement of the forest area of western Gippsland began. However, early settlement was based on cattle and sheep grazing with dairying being relatively unimportant. Conditions were very difficult ; land clearing costs were high, pests were prevalent, and vermin were destructive. Many settlers eventually abandoned their blocks. Events of the 1880s were of great importance to the Victorian dairying industry. In 1875 Thomas Mort had formed the New South Wales Fresh Food and Ice Company Ltd in Sydney and was responsible for the first attempt to centralise butter manufacture. By about 1883 refrigeration became a commercial possibility. In the late 1880s the centrifugal cream separator was introduced into Victoria, and two years later the Victorian Government appointed its first dairy expert. The Government had also set up the Vegetable Products Commission to collect information and to make recommendations on several industries including dairying.

The Commission claimed that losses in the dairying industry were the result of inefficient and old-fashioned methods. It suggested that butter factories should be established on a commercial basis, that modern equipment such as cream separators should be introduced, comparable with the successful example at Dookie Agricultural College, and that travelling model dairies should help to disseminate information. The Gillies Government therefore allocated £233,000 for bonuses to establish butter factories, creameries, and cheese factories in Victoria, for assisting the vine and fruit industries, and for export bonuses. The amount of bonus per pound of butter exported was regulated by the price obtained at sale on export markets. In its final report, issued in 1894, the Commission stated that in the year ending March 1893 there were eighty-six butter factories in operation, yielding over 13 million lb of butter, while there was over 10 million lb from private farms. By the following year 155 butter and cheese factories had been established in the State. During the season 1892–93, 8,094,255 lb of butter was exported compared with 828,882 lb in 1889–90.

The introduction of the Babcock test as a basis of payment for cream in place of the old unreliable " cream line " test, was another important development. The first Babcock testers were installed in Victoria at the Koroit factory in 1892. Pasteurisation was also introduced, so that preservatives were no longer needed. These innovations established the factory system and permitted dairy products of satisfactory, uniform quality to be placed on the market. As a result there was a rapid expansion in dairying, particularly in Gippsland where transportation had been improved by the opening of the railway to Leongatha in 1891. The industry was well established by 1900, but the marketing structure did not change until 1924. In that year the Commonwealth Government at the request of the industry introduced the Dairy Produce Export Control Act, the main purpose of which was to set up the Dairy Produce Control Board, with the function of regulating the marketing of butter and cheese on export markets. The Board, renamed the Australian Dairy Produce Board in 1935, continues to operate. In 1951 casein was brought under the Board's control and three years later, by an amendment to the Act, the Board became the sole authority for marketing butter and cheese on the British market. The Board attends to all administrative arrangements (storage, shipping, etc.), purchases products at an interim advance price from factories, and fixes minimum sale prices on export markets.

In 1926, after earlier equalisation schemes had failed, a voluntary scheme known as the Paterson Plan was introduced. This involved payment of a levy on total manufacture and the funds raised were used to pay a bonus on exports. At the time exports accounted for almost one third of total production. A levy of 1d per lb on all production enabled the payment of a bonus of 3d per lb to be made on exports ; it also permitted the local price to be raised by 3d per lb, resulting in a net overall increase of 2d per lb. The scheme was administered by a body known as the Australian Stabilisation Committee. It failed because prices on the British market fell seriously, and because some manufacturers refused to export, and sold all their produce on the local market to avoid paying the levy. In 1934 the Paterson Plan was replaced by a statutory Commonwealth Price Equalisation Plan, involving complementary Commonwealth–State legislation. The object of the scheme was to maintain prices on the protected home market and to ensure that each manufacturer obtained a fair share of that market. The State legislation set up State dairy produce boards, whose function was to fix quotas which manufacturers could sell within their own States. The Commonwealth legislation controlled interstate trade by licensing interstate traders and by prescribing that no manufacturer could trade interstate unless he had exported a proportion of his production. The Commonwealth legislation was challenged, and in 1936 it was invalidated for contravening section 92 of the Constitution. However, the benefits of the scheme had become apparent and it was continued on a voluntary basis. The present equalisation scheme, which is based on the previous one, is administered by the Commonwealth Dairy Produce Equalisation Committee Ltd. Its functions are to arrange for equal rates of return to manufacturers by adjusting prices received from various avenues of disposal to an equalised price.

During the Second World War the British Government entered into annual contracts with the Commonwealth for the supply of definite quantities of butter and cheese. In 1944 a four year contract was signed between Britain and the Australian Government for the sale of Australia's total exportable surplus of butter and cheese. The contract provided for an annual revision of prices with a maximum variation in any one year of 7.5 per cent. It was renewed for seven years in 1948. In 1942 the Commonwealth had passed the Dairying Industry Assistance Act, providing for a subsidy to suppliers of milk and cream for manufacture. The subsidy was designed to return an average price of 21.27d per lb for butterfat. The Act was amended in 1943 and the subsidy rate was increased to give a return of 21.88d, which the industry had assessed as being the average cost of production. The subsidy arrangement under the Assistance Act continued, at varying levels based on cost of production submissions. In each year Britain refunded the amount of subsidy paid on exports (except in 1946 when the export price exceeded the guaranteed price) and the excess was distributed to producers.

After representations from the industry and following a cost of production study, the Commonwealth introduced the first five year stabilisation plan. The plan guaranteed producers the ascertained cost of production, deficiencies between realisations and costs being made up by subsidy payments. By 1951–52 the annual cost of subsidies was close to \$36m. A second five year stabilisation plan, under which the Government guaranteed the cost of production for butter and cheese sold on the local market, plus 20 per cent of that quantity, was introduced in 1952, and was renewed for a further five years in 1957. Production costs were estimated by an independent authority (The Dairy Industry Investigation Committee), and wholesale prices in Australia were determined by the Minister for Primary Industry, with the approval of the States. The fourth five year plan was introduced in 1962 and cost of production guarantees were abandoned. The Commonwealth agreed to provide a bounty fixed at \$27m annually on butter and cheese production, but instead of applying to domestic consumption plus 20 per cent, the subsidy applied to all production. Responsibility for the determination of wholesale prices was assumed by the Australian Dairy Industry Council instead of by the Minister for Primary Industry. The plan was renewed in 1967 (with compensation for devaluation) for a further period of five years.

Subsidy on the production of processed milk products was payable from July 1942 until June 1948, and again from July 1949 to June 1952. No further subsidy was paid until the Commonwealth provided a separate bounty under the *Processed Milk Products Bounty Act* 1962 for the payment of a maximum amount of \$700,000 on exports as a means of strengthening the competitive position of Australian products. The bounty has been continued in subsequent legislation at an amount of up to \$800,000 in each year.

Before 1932 the liquid milk supply to Melbourne and other city markets was provided through individual licensed dairies operating independently. However, the Milk Board Act was passed in 1932 which provided for appointment of a Board to report and make recommendations on the regulation, control, and distribution of the metropolitan milk supply. The Act was repealed in 1933 but was replaced by another Act which also provided for the appointment of a Board to carry out an inquiry into the matters previously listed. In addition, the Board was empowered to determine the minimum price to be paid to farmers for city milk, to define areas, to specify dairies which could distribute milk in each area, to cancel the licences of dairies not so authorised, and to assess compensation owing to dairies. Weaknesses in the Act were removed by an amendment in 1934, and in 1936 the Board was empowered to determine wholesale prices at milk depots. The Board's powers were again extended in 1939 to fix maximum retail prices and maximum charges for pasteurisation ; they were also to regulate the quantity of milk forwarded for sale from individual depots and to allocate to milk depots areas from which milk could be obtained. At the same time the practice of " standardisation " of milk was prohibited and a penalty was prescribed for the sale of any retail delivery business without approval of the Board. This system, under which milk was purchased by dairies from farmers under the supervision of the Board, continued virtually unchanged until 1951. The *Milk Board Act* 1951 amended the earlier Acts substantially : milk was not to be distributed in any proclaimed district unless the Board had first purchased the milk from farmers and resold it to dairies for sale and distribution. The amendment formed the basis for the contract for year-round daily quantities of milk to be supplied to the Board. Since the Board is not involved in export ventures, it has been able to maintain prices to farmers at relatively high levels. Milk for city supply usually has a farm-gate price which is about twice that of milk sold for manufacturing purposes.

OTHER PRIMARY PRODUCTS

The depressed conditions of the early 1930s accentuated the problems of most agricultural producers, and resulted in government action to establish statutory marketing schemes on a Commonwealth basis for several major products. However, for a variety of reasons these schemes were not extended to cover the minor agricultural industries. The traditional marketing of many of these products had been through consignment to merchants, and prices realised depended almost entirely on the supply position of the market. Production in excess of market requirements, even to a relatively small extent, had a markedly depressing effect on the overall price levels.

Producer organisations had pressed for the introduction of organised marketing proposals over a period of years, and in the politically favourable environment of the mid-1930s these pressures resulted in the passing of the Marketing of Primary Products Act in 1935. The Act has been amended several times since then but its basic provisions have remained unaltered. It provides the machinery for establishing marketing boards for primary products. With the exception of wool, hay, and fresh fruit (other than citrus, apples, and pears), any rural product may be brought under the operation of the Act. Marketing boards, however, can only be established after a majority of producers have voted in favour. Once a board has been established for a commodity, the commodity then becomes the property of the board, which has the responsibility of marketing on behalf of producers. For most commodities, the Act envisages annual pooling arrangements, and the distribution of proceeds of sale among producers in proportion to the quantity delivered to the board for sale. Since 1935 a number of commodities has been brought under the operation of the Act. Boards have been established for the following: onions, eggs, chicory, maize (all in 1936); potatoes (1947); seed beans (1953); tobacco (1964); and oats (1971). The Potato Marketing Board and the Seed Beans Marketing Board were dissolved in 1962 and 1967, respectively.

During the Second World War the Commonwealth Government assumed responsibility for the marketing of barley, and the Australian Barley Board was established. After the war growers pressed for the establishment of a new marketing scheme similar to that for wheat. However, at that time export prices for barley were high and the industry would not agree to a contributory stabilisation scheme. In consequence, a proposal with provisions similar to those of the Marketing of Primary Products Act was adopted. Because 95 per cent of manufacturing barley was produced in the States of Victoria and South Australia, it was decided that a Commonwealth marketing scheme was unnecessary. A joint South Australian and Victorian barley marketing board was set up in 1948 to handle the barley grown in the two States. An essential feature of the scheme was the undertaking given by the brewers and maltsters (the major users) to purchase their requirements from the Board. The Board has operated successfully in general, but increasing production in other States has led to recent discussion of the possibility of establishing a Commonwealth board.

Because boards own the commodities concerned, they are able to fix wholesale prices on the local market. The supply to the market is regulated either by storage (in the case of seasonal crops such as onions) or by export of surpluses. Storage is usually costly and this means that there may be long delays before producers receive payments. Export prices are usually lower than the local price and where export is involved, producers are required to make equalisation payments. In both cases there is financial incentive for producers to avoid marketing through board channels, provided that they can immediately obtain the full local market price. A legal avenue exists for avoiding the provisions of the Act by trading interstate under section 92 of the Commonwealth Constitution. Such trading has been a constant problem in the operation of all marketing boards, and it eventually led to the dissolution of the Potato Marketing Board. Efforts have been made to overcome this problem, including an unsuccessful attempt to change the Constitution.

An arrangement which has proved workable was introduced in the egg industry. The Egg Boards in all States formed a non-statutory authority (The Council of Egg Marketing Authorities) which proposed a scheme under which a levy was to be imposed by the Commonwealth on all hens kept for commercial purposes. The necessary legislation was passed in 1965. The proceeds of the levy are used for equalisation purposes and replace levies previously raised on eggs by State Boards. The essential difference, however, is that it is not legally possible to avoid payment of the Commonwealth levy. The scheme has operated reasonably satisfactorily in the egg industry, and may have potential for application to other industries, particularly where there are no price differences between the States and where the complete pooling of the proceeds of sale is possible. Such schemes, however, are only workable when the proportion of exports is relatively low or when export prices approximate to domestic prices. They do not have the potential for supporting unlimited production at economic producer prices. The potential for production in many of the industries concerned is far greater than that required for domestic consumption. For some of the industries, export outlets virtually do not exist and production must be geared to domestic requirements if price stability is to be achieved. For other industries export is feasible, but uneconomic.

4

MANUFACTURING INDUSTRY*

The following description of industrial development in Victoria since the late 1830s draws attention to important trends in the types of industries and in their location. Because of the large number of factories involved (especially in the Melbourne area) it has not been possible to cite more than a few by name. For factories outside the Melbourne area the problem of citation has been lightened by the smaller numbers involved, although nothing like a complete list is presented even here. Among the various industries mentioned there have been some which are cited for reasons of historical interest ; sometimes they subsequently became extinct.

Between the mid-1830s when Victoria was first settled and 1851 when gold was discovered in Victoria, manufacturing industry in the Colony was of a minor nature and almost wholly confined to Melbourne. Among the factories existing at that time were bakeries, flour mills, iron foundries, boiling-down works, tanneries, and small servicing industries such as blacksmiths and saddlers. The discovery of gold at Ballarat, Bendigo, and Castlemaine led to a general rush of tradesmen from Melbourne to the goldfields, and artisans from Britain and other overseas countries flocked to Victoria in great numbers. At the Census taken in March 1851 the total population of Victoria was 77,345. By the end of the year it had increased to 97,489, and by the end of 1852 it had risen to 168,321. As the number of gold seekers from overseas and interstate increased, some of the blacksmiths' shops and foundries were converted to crude engineering shops to fabricate tools and mechanical implements for the diggers ; cart and wagon repairers became wagon builders ; and cobblers became makers of boots and shoes. Some

* Statistics showing the development of secondary industry in Victoria are available from three sources : the periodic Population Census, the annual factory census, and the annual registration of factories.

Comparability between statistical series cannot be realised unless the collecting authorities are agreed at least on the following : (i) the nature of the reporting unit, (ii) the classification of the reporting unit, and (iii) the period to which returns relate. As there was no agreement on the above matters, the statistical series mentioned above are not comparable. Both the Population Census and factory census sources have been used in this article and, unless otherwise specified, the source used is the factory census. However, in respect of many of the earlier years of the factory census, it was admitted by W.H. Archer, Registrar General of Victoria in 1873, that the number of the returns "must be looked upon as considerably understating the truth ".

There is a close relationship between manufacturing industry and research and development into manufacturing industry. Readers are therefore also referred to the relevant sections of Part 5.

of the new artisans remained in Melbourne and demanded high wages. Employment was easy to obtain: thus a carpenter could earn £400 a year, while at the end of 1852 stonemasons, bricklayers, and blacksmiths were earning 25s a day.

However, by the end of 1854 there was considerable unemployment in Victoria. Wages were reduced and unemployment was greatly increased with the arrival of large numbers of assisted migrants from England. During this period meetings of unemployed were common ; a public meeting of employers and employees was held in Melbourne to discuss the question of hours of labour, and despite unemployment the eight hour movement made rapid progress. By the end of 1856 an eight hour working day was generally recognised throughout Victoria. Then from 1860 to 1890 gold mining declined. According to the 1857 Census there were 62,428 males engaged in mining ; by 1891 this number had been reduced to 22,453. Many unemployed miners were attracted to New Zealand in the 1860s ; some turned to farming in the districts near the goldfields ; others returned to Melbourne to seek employment in manufacturing, or sought work in the newly established industries on the goldfields.

Possibly the first distinctively Australian trade established in Victoria (after the boiling-down works in the 1840s) was the manufacture of eucalyptus oil which began near Dandenong in 1852. This industry still continues, but is now centred on the Inglewood district. Other early developments were in the chemical industry with the production of sulphuric acid in the early 1860s, the establishment of a small saltworks on French Island in Western Port in the late 1870s, and the beginning of the fertiliser industry at the same time. The Censuses of 1871 and 1881 showed that the employment of females in " industrial " (mainly manufacturing operations) became important in Victoria during the intercensal period and increased from 14,178 to 23,713. The female employment was concentrated in the clothing and textile industries. In 1882 there were complaints of " sweating " among homeworkers. The *Age* aroused public feeling to these conditions, and as a result there was some improvement, but it was not until the Factories and Shops Act was passed in 1885 that there was any real betterment in working conditions.

Some years earlier the *Age*, led by David Syme, had given its strong support to a campaign for tariff protection in Victoria as a means of solving the unemployment problem. By 1866 the protectionists were in the majority in the Legislative Assembly and the first protectionist tariff was introduced after a bitter constitutional struggle with the Legislative Council. At first the tariff was low : 10 per cent on certain manufactured goods. In 1871 the tariff was raised to 20 per cent for finished manufactures including boots, clothing, textiles, leather goods, and iron and steel goods. Six years later the tariff was raised again and duties of 30 and 40 per cent were imposed on some commodities. It is uncertain how effective these measures were, but by 1891 nearly 25 per cent more people were employed in secondary industry in Victoria than in the more populous New South Wales.

In 1861, 475 " manufactories and works " were recorded in Victoria. There were a few engineering shops, twenty agricultural implement works, twenty iron, brass, and copper foundries, fifteen fellmongeries, twenty-one soap and candle works, and twenty-eight tanneries. In addition there were fifty brickyards, sixty-four sawmills, nine chaff-cutting and corn-crushing mills, twenty-five aerated water factories, thirty-eight breweries, six ship and boat building yards, five gasworks, and a beet-sugar refinery. From the 1860s Felton and Grimwade produced drugs and basic pharmaceutical products. This enterprise was to branch out into the manufacture of glass containers in 1872, and it eventually became part of one of Australia's largest industrial groups — Australian Consolidated Industries Ltd. In the following year Cuming Smith began to manufacture sulphuric acid and later, superphosphate. This was the beginning of a complex industry which in due time expanded to other States and was to be closely associated with rural development. Demand for building materials during this time grew steadily and David Mitchell began to supply lime from his Lilydale quarry in 1878. The gradual diversification of the economy was evident in the range of production and its location. These types of enterprises were to be the foundation of Victoria's manufacturing industry.

By 1886 Ballarat had seven foundries, three flour mills, three breweries, seven tanneries, five brickyards, and 134 other manufactories including agricultural implement works, woollen mills, printing establishments, and gas works, with a total employment of 2,679 hands. One cordial manufacturer, E. Rowlands and Co., which was established in 1854, also had factories in Melbourne, Creswick, and Smythesdale. By 1886 cordial production at the Ballarat factory was between 3,000 and 4,000 dozen bottles a day. E. Lucas and Co. Pty Ltd, frock manufacturers, which in the 1960s transferred part of its operations to a new factory on the outskirts of Ballarat, had a humble start in 1888 in a room of a private house occupied by Mrs Lucas and her three daughters. In the north-east of Victoria a tannery was established in 1858 at Beechworth and operated for 103 years before closing in 1961. In the central part of the State, Bendigo's secondary industries developed along similar lines to those of Ballarat. For example, Cohn Bros, who originally manufactured beer and vinegar, now operate as an aerated waters factory on the original site on land alienated from the Crown in 1857.

Aided by an increasing number of fine-wool flocks and assisted by State grants for the establishment of woollen mills, Victoria became the major wool processing State in the early 1870s, a position it still maintains. The first piece of woollen cloth made in the Colony was exhibited at the Victorian Woollen and Cloth Manufacturing Co. Ltd in Geelong on 22 January 1869. By 1880 mills were located at Geelong, Ballarat, Warrnambool, Castlemaine, and Melbourne. In 1870 worsted piecegoods were woven at Ballarat for the first time in Australia. Four years later a public meeting at Castlemaine decided to form a company to manufacture woollen blankets and cloth ; the mill established as a result of this meeting is still operating. In the same town Thompson Bros, flour millers, decided to diversify into mining engineering equipment. By 1880 they had contracts with the Victorian Railways and still supply the Railways Commissioners with equipment. In 1896 Foy and Gibson established Victoria's first fully integrated worsted and woollen mill at Fitzroy where they carried out all processes from the scouring of greasy wool to the production of woven piece goods.

Another of the industries which has flourished in Victoria since the Colony's earliest days was the foundry industry. Ferrous and non-ferrous foundries were established in the early 1850s, largely to provide castings for the agricultural machinery and mining industries. The Victorian Soho and Union foundries were the most prominent and were supplying heavy mining engines and pumps for gold mines in other Australian colonies, as well as locomotives. Another such foundry, J. Furphy and Sons, established in 1872 at Shepparton, is still manufacturing equipment including the well-known Furphy water cart. Heavy engineering, established over one hundred years ago, grew out of the necessity to repair imported machinery. Gradually machinery for flour milling, baking, woodworking, paint making, abattoirs, and various other industries was built in the Colony. During the 1880s and 1890s persons with a high level of skill and technology were available. Against this background the enterprise of Charles Ruwolt, who started as a windmill manufacturer in Wangaratta, began to develop. His company was to manufacture a significant range of heavy engineering machinery for the rubber processing, mining, papermaking, and machine tool industries. Kelly and Lewis Pty Ltd of Springvale, who are now one of Australia's largest pump manufacturers, commenced engineering operations in Melbourne in 1889. They originally produced forgings for the Victorian Railways and boilers for locomotives. The development of the deep level goldfields in Western Australia created opportunities for the firm in steam-driven winders and decondensing plants. There were other important manufacturers. The first railways workshops, for instance, were established at Williamstown and Batman Hill (Spencer Street) in 1858. Between 1873 and 1904 the Phoenix Foundry at Ballarat (which closed down in 1905) supplied about 350 steam locomotives to the Victorian Railways in addition to supplying stationary engines to private firms. The firm also exported to Western Australia and New Zealand. The combine harvester was developed by H. V. McKay, first at Clunes and Ballarat, and from the 1890s at Sunshine. The enterprise has since been sold to an international company ; its range of products has subsequently been extended to include the cane harvester and a full range of agricultural implements. Recently it has diversified into items of equipment for the earthmoving and construction industries.

Although the Colony had no steel making facilities, mainly because of a lack of suitable ores and coking coal, rapid development of secondary industry was achieved. It is interesting to note that in 1873 at Ballarat, which at that time was a major engineering centre with an urgent demand for pig iron, a group of businessmen became interested in the Lal Lal iron ore deposits as a local source of pig iron. A company was formed to work the deposit and smelt the ore, and building began on a blast furnace for large scale production in 1874. While smelting iron on a commercial basis between 1878 and 1880, the Lal Lal Works mined 518 tons of ore and produced 237 tons of pig iron. During 1880 a new blast furnace was built and production reached a peak in 1884 when 1,600 tons of ore were smelted to produce 600 tons of pig iron. The company collapsed suddenly, mainly because of competition from imported English pig iron.

Victoria's first paper mill was begun by Samuel Ramsden in Melbourne in 1868 and closed as recently as 1968. From the beginning the mill produced brown wrapping paper and newsprint. Another mill began in 1879 (closing in 1923) at Fyansford near Geelong, and products from this mill were displayed at the Industrial Exhibition held at Geelong in 1887. In 1882 William Brookes and Archibald Currie bought the Melbourne mill and in 1895 they bought the one at Fyansford. In the same year they were joined by the owner of a mill established in 1890 at Broadford in founding Australian Paper Mills. By 1926, as a result of subsequent mergers, this company had become Australian Paper Manufacturers Ltd.

One company which played a major part in settlement in Victoria was Michael Donaghy's rope works founded at Chilwell in 1852 ; it manufactured products ranging from fishing lines to 10 inch hawsers, and is still trading. Another was Trewhella Bros of Trentham. This firm developed a variety of lifting jacks and tree-pulling equipment during the late 1880s, and before 1914 was exporting to south-east Asia where this equipment was used for clearing jungles for rubber plantations.

The development of manufacturing activity in Victoria continued steadily until the end of the land boom and the depression of the early 1890s. The depression led to the grave weakening of the Colony's financial institutions and caused widespread hardship and unemployment. From 1891 to 1893 Melbourne's population declined by 33,000. Employment in secondary industry declined from 58,452 in 1890 to 41,729 in 1893 and it was not until 1899 that employment in manufacturing passed the level of 1890. The principal industries to suffer from the aftermath of the land boom were brick making and glass manufacture, engineering, saw milling, and joinery and furniture manufacture. On the other hand, the numbers employed in the food and clothing industries increased substantially during the 1890s. Immediately before Federation the most firmly established industries in Victoria were those which could be considered basic, namely, engineering, clothing, food processing, and furniture manufacture. Before Federation Victorian manufacturing was fostered under a protective tariff structure applied against imports from the other Australian colonies and overseas. The structure which had evolved during the nineteenth century was highly geared to supplying domestic needs ; the largest category of factory employment was in the clothing and textile industries.

In 1901 the Australian market was unified as a result of Federation. Uniform tariffs helped industries in New South Wales more than they did those in Victoria, as New South Wales had pursued a policy of free trade before Federation. The fastest growing industry group in Australia at that time was the metal and metal-working group, which had its greatest concentration in New South Wales. Federation resulted in increased competition for Victorian manufacturers, particularly from New South Wales. Sales from Victoria to other States rose by 39 per cent in the first 10 years after Federation, whereas manufactured imports from the other States increased by 120 per cent. Victorian manufacturers did benefit to a certain extent by an expansion of the market into Australian States other than New South Wales ; between 1904 and 1910 the value of output of Victorian factories increased by 59 per cent. The early years of this century reveal that the common tariff structure for each State facilitated the concentration of manufacturing in Victoria and New South Wales. This resulted in the other States becoming more dependent on these industrial States for supplies of manufactures in the early days of Federation.

The First World War exercised a profound influence on the pace and nature of industrial development. Employment in secondary industry during the war varied between 114,000 and 118,000, although the four years were really a period of turmoil as manufacturing firms endeavoured to adjust to the changing circumstances brought about by the war. Some changes, such as the decline in horse-drawn vehicle production, were the result of technological developments ; others were the result of changing export patterns or of home consumption demands, including the need for war supplies ; most significant were the effects of the war in limiting imports. Some industries suffered as markets were lost or raw material supplies were cut off, while others benefited by shelter from overseas competition. The war can be regarded as a transition period from a simple to a more mature economy. Among the industries where employment increased between 1913 and 1920 were textiles, engineering, paper and printing, skins and leather, food, drinks, tobacco, chemical and pharmaceutical products, and rubber.

The first association of government in Australia with mass production concerned the manufacture of supplies for military purposes. By 1910 the Commonwealth Government had authorised the establishment of an explosives factory at Maribyrnong, a clothing factory at South Melbourne, and a harness, saddlery, and leather accoutrements factory at Clifton Hill. A government woollen factory was established at Geelong in 1914. The following year it began to manufacture cloth, blankets, flannel for underclothing, and similar woollen requisites for the troops. This factory was sold to the Federal Woollen Mills Pty Ltd in 1922 and was to become one of the largest mills in Australia. In 1923 the Commonwealth Government decided that war factories should be closed. The harness factory ceased production and was sold. However, the clothing factory and the explosives factory were retained. The small arms ammunition factory, which had been established in 1888 and leased from the Colonial Ammunition Company in 1921, was purchased outright by the Commonwealth Government in 1927 and re-built.

Shortages of certain imported commodities during the war led to their manufacture in Victoria. These included surgical, optical, and other scientific instruments formerly imported from Germany, as well as chemicals, drugs (including aspirin), and certain paints and varnishes. With help from the Victorian Government, a co-operative company was established at Shepparton in 1917 to build a fruit cannery which would handle the produce from the irrigation settlement there. This company, which is now known as the Shepparton Preserving Co. Ltd, processed 350 tons of fruit in its first season. In 1922 the Ardmona Fruit Products Co-operative Co. Ltd set up a dehydration plant at Mooroopna, where canning of fruits began in 1925.

The temporary dislocation caused by the war was followed by a period of reconstruction and prosperity. An interesting post-war phenomenon was the formation of co-operative ventures by returned soldiers who used their war gratuity bonds as capital in manufacturing enterprises. One of the most successful of these was the Returned Soldiers and Sailors Woollen and Worsted Co-operative Manufacturing Company at Geelong. Most such ventures, however, were involved in marketing rather than in manufacturing, as illustrated by the dried fruits packing organisations in the Murray valley.

The uncertainty of coal supplies from the disturbed New South Wales coalfields encouraged the State Government to develop local sources of power. Mining of black coal at Wonthaggi began in 1909, but of much greater significance was the establishment of the State Electricity Commission in 1919 and the first intensive exploitation of the immense brown coal deposits of the La Trobe valley in that year. After some initial problems the Commission was generating power at Yallourn in 1924, and a steady expansion of its works has given Victoria a sound and flexible source of cheap power on which to base its industrial development. In addition to the generation of electricity, the coalfields have been used to produce briquettes and, from 1957 to 1969, town gas by the Lurgi process for domestic and industrial use. Most of Victoria's power is generated in the La Trobe valley, and the continuing growth of power generation has attracted a significant population. Some power (especially for peak loads) comes from the Commission's Kiewa scheme in the Victorian Alps and from the Snowy Mountains scheme in New South Wales. From March 1969 the State's power resources were further diversified by the reticulation of natural gas from fields off the Gippsland coast.

During the 1920s rapid expansion of secondary industry continued, helped by increasing population, availability of credit, and government assistance. At the Federal level this expansion was encouraged by rising and spreading protective tariffs and, at the State level, until 1942 when uniform taxation was introduced, by one of the lowest income tax payments per head of population in Australia. In 1928–29 the value of production from secondary industry passed that of primary industry and the gap between them widened. The industries which expanded most significantly during this period were cement, engineering, textiles, furniture making, paper and printing, pipes, and rubber.

Between the two world wars several new manufacturing plants were introduced, giving Victoria a more substantial industrial base. The Ford Motor Company of Canada Ltd established the first motor vehicle assembly plant by a large scale manufacturer at Geelong in 1925. Although the woollen textile industry was already established in the area, Ford's arrival was the beginning of a movement of industry towards Geelong. Ford was followed in 1939 by the International Harvester Co. of Australia Pty Ltd which set up a plant at Geelong for the manufacture, first, of farm machinery, and subsequently, of tractors and commercial motor vehicles. In 1925 a cement works, originally formed at Fyansford near Geelong in the 1890s, became a public company and merged with Kandos Cement Co. Ltd of New South Wales in 1929. Now the Australian Portland Cement Ltd, this company also controls the Gippsland Cement and Lime Co. plant at Traralgon, which was established in 1953 and operated the first successful vertical cement kiln in Australia. In 1964 another major cement works was built at Waurn Ponds on the outskirts of Geelong by Victoria Portland Cement Co. Pty Ltd, thus making Geelong one of the major cement producing areas in Australia.

During the early 1920s local residents at Maryborough, where the gold mining industry was rapidly declining, subscribed large amounts of capital to set up secondary industries. One of these, Maryborough Knitting Mills

(Cuttle) Ltd is a major employer, with annexes in the nearby towns of St Arnaud, Dunolly, Avoca, and Beaufort. Furthermore, during this decade a number of entirely new and important industries was established in Victoria, such as the production of radio receivers which began in 1923. In 1929 Imperial Chemical Industries Ltd of the United Kingdom established its Australian branch, I.C.I.A.N.Z. Ltd with its headquarters in Victoria, although one or two of the component firms, e.g., Nobel, had been operating in the State since the early 1900s. The initial Australian shareholding included Commonwealth Fertilizers and Chemicals Ltd, B.H.P., and some of the " Collins House " group. The following year Monsanto (Aust.) Ltd, another overseas chemical company, was set up in Victoria. These overseas-based companies supplemented the local old-established chemical industry dating back to Felton and Grimwade, and Cuming Smith and Co., in the 1860s and 1870s.

By 1927 employment in secondary industry in Victoria had grown to 162,000, but the world-wide depression brought employment in manufacturing industries down to 126,000 in 1931, the lowest level since 1919. It was not until 1935 that employment in secondary industry in Victoria again reached the level of 1927. Victoria suffered during the depression years. Prices of primary products on world markets dropped and continued at a low level throughout the 1930s. Between March 1929 and September 1931 unemployment among members of trade unions in Victoria rose from 8.6 per cent to 26.8 per cent, and by the end of 1931, 170,000 persons were dependent on unemployment relief. Aided by a tariff policy which curtailed imports, unemployment was slowly reduced although it remained high until the outbreak of the Second World War, when 11.2 per cent of trade union members in Victoria were still unemployed.

The first motor vehicle with an internal combustion engine made in Australia was produced by the Tarrant Engineering Company at South Melbourne in 1901. In 1903 a Tarrant subsidiary, The Melbourne Motor Body Works, was established. Tarrant acquired the Ford agency in 1907 and ceased manufacturing Tarrant cars. The Ford agency was relinquished to the Ford Company of Canada in 1925, and a large factory was built in West Melbourne under the name of Ruskin Motors Pty Ltd, which produced motor bodies from 1925 to 1952 for various makes of cars. In 1905 James Flood, while an employee of Tarrant, made the first fully enclosed passenger car body to be fitted to a motor vehicle in Australia. In 1907 he established his own car body building firm and concentrated first on making custom-built bodies, later moving into bodies produced by assembly line methods.

In the mid-1930s General Motors-Holden's Pty Ltd, which had commenced the assembly of cars in 1926, obtained land from the Crown at Fishermens Bend for the factory which became the headquarters of its operations in Australia. The Australian motor industry, which is still heavily concentrated in Victoria, is thus a particular product of the years between the wars; it has developed into a major employer of labour, and has saved substantial amounts of foreign exchange. In contrast with the usual pattern of growth, development of the motor car industry began with the manufacture of car bodies, largely as a result of a Commonwealth regulation imposed during the First World War and designed to conserve limited shipping space ; it restricted the ratio of motor bodies to motor chassis which could be imported. Victoria's early prominence in carriage building greatly assisted the later development of the motor car industry which embraces many skills and techniques. Motor vehicle assembly plants in Victoria encouraged Repco and others to make automotive parts, including electrical components, both for original equipment and spare parts. In addition, a large share of Australia's motor tyre and battery manufacturing is evident in Victoria ; Dunlop Australia Ltd and Olympic Tyre and Rubber Co. Pty Ltd, the State's two main producers of rubber goods, date from 1899 and 1922, respectively.

In the paper manufacturing industry, Victoria's first integrated woodpulp and paper mill began to operate at Maryvale in 1939, adding capacity to the mills at Broadford (established in 1890) and Fairfield (1921).

Victorian factory employment between 1938–39 and 1948–49, the decade of the Second World War, increased from 201,831 to 292,006 persons, an increase of 45 per cent, while the annual value of factory production increased from $132m by nearly 180 per cent to $366m. The war brought a large measure of industrial maturity to Victoria, best illustrated by industry's achievements in producing a wide range of specialised equipment including machine tools, precision instruments, aircraft, ordnance, and other armaments. After the First World War there was, of course, a reduction of expenditure on munitions. Despite this curtailment a programme of re-equipping Commonwealth Government factories in Victoria was successfully carried out. This affected the ammunition factory at Footscray and the explosives and ordnance factories at Maribyrnong. During the depression, when there were virtually no orders from the Armed Services, these factories were kept in working order and a nucleus of trained staff was retained by the production of goods for the domestic market.

The first motor driven aeroplane made in Australia was flown at Mia Mia near Bendigo in July 1910 by J. R. Duigan. In 1915 orders were placed for the production of aircraft engines by the Australian Flying Corps and three were produced by Kelly and Lewis in Little Bourke Street, but the need for large scale production never arose. Gypsy Moth aircraft were produced by the Larkin Aircraft Supply Company at Coode Island in the 1920s. In 1927 the British De Havilland Aircraft Company formed a subsidiary company and in 1928 began the assembly of aircraft at South Melbourne. The company moved to Sydney in 1930.

However, the Commonwealth Aircraft Corporation Pty Ltd, which was formed in Victoria in 1936 largely through the foresight of some Australian businessmen concerned about the possibility of war in Europe, produced its first aircraft at Fishermens Bend in March 1939. Since then the aircraft industry in Australia has assumed importance. The Corporation's plant was then the only one in Australia producing significant quantities of aircraft and probably the only factory in the world producing aircraft engines and air frames under one roof. A total of 757 Wirraways, 250 Boomerangs, and 170 Mustangs was built, as well as a prototype for a most advanced piston engined fighter—the CA15. Many engines, and later on, some 200 Wackett Trainers, were also produced. In 1940 the adjacent and complementary Government Aircraft Factory was established and began producing Beaufort bombers. In all, 700 Beauforts and 364 Beaufighters were built for war service and, immediately after the war, 73 Lincoln bombers. Australia's aircraft industry, centred in Victoria, suffered a severe decline after the war, but efforts were made to maintain its capacity to manufacture aircraft and retain its highly skilled work force. In these post-war years the Sabre jet fighter and Macchi jet trainer were made by the Corporation and production of the Canberra bomber and Mirage fighter was shared between the Corporation and the Government Aircraft Factory. The latter also produced the pilotless Jindivik and Turana target aircraft and the Ikara anti-submarine missile. This factory has recently been testing two prototypes of the Nomad twin turbo-prop aircraft, designed by the factory's own engineering staff. A second government aircraft factory was established in 1950 at Avalon aerodrome to maintain, repair, and flight-test aircraft.

At the outbreak of the Second World War the three munitions establishments in Victoria operated by the Commonwealth Government were the Ordnance Factory and the Explosives Factory at Maribyrnong and the Ammunition Factory at Footscray. During the war four more ordnance factories were established in Victoria at Bendigo, Horsham, Hamilton, and Stawell; an additional explosives factory was built at Geelong ; and a gun-cotton factory was established at Ballarat. In addition to these government activities, some forty munitions annexes were established with various Victorian manufacturing firms. These produced a wide range of munitions and equipment such as mortar bombs, optical munitions, marine diesel engines and marine craft, mines, and aircraft parts ; many of these had not been made in Australia before. After the war most of these ordnance factories were converted to general industrial use. The most successful was the gun-cotton factory at Ballarat which provided a site for a paper coating plant. This factory complex was purchased later by the Victorian Government and the balance of the area converted into an industrial estate where a number of companies now operate. The former ordnance factory at Horsham is now occupied by Prestige Ltd, while that at Hamilton has been taken over by Frost Engineering Co. Ltd which is engaged in the manufacture of twist drills. The ball bearing plant established by the Commonwealth Government at Echuca during the Second World War has continued to expand and is now operated by United Bearing Corporation Pty Ltd.

The technological challenge successfully met by Victorian manufacturing industry during the Second World War paved the way for large scale post-war overseas investment in Victorian secondary industry in many localities, and for a further expansion of manufacturing in the State. A programme of immigration helped to enlarge the work force necessary for this expansion, which took place over a wide area, Dandenong being the first major post-war regional development site. Another of Victoria's decentralisation ventures was the transfer of Cleckheaton Ltd to Shepparton. In 1949 this firm brought out its whole spinning plant from the United Kingdom, and the company now operates at Shepparton, Mooroopna, Tatura, and Benalla, and at several Melbourne factories. In 1960 Campbell's Soups (Aust.) Pty Ltd was established in the Goulburn valley, and now operates a large factory at Lemnos near Shepparton. Bruck (Aust.) Ltd, which in 1947 took over a factory at Wangaratta intended for aluminium production and established a major mill to manufacture, dye, and finish man-made fibre fabrics, has recently built a new finishing mill and textile chemical plant. A further important factor in decentralisation was the expansion during the 1950s of railway workshops at Ballarat and Bendigo.

In 1936 the Commonwealth Government announced that it intended to encourage the manufacture of motor car engines and chassis in Australia, and that tariff protection and a bounty of £30 on each engine unit was to be granted to intending Australian manufacturers. However, the manufacturers did not respond. In 1939 when the National Security Act was passed as a war-time measure the Federal Government acquired the power to control manufacturing industry ; interested companies were asked to submit plans for the manufacture of motor vehicles, but no workable proposals were received. The Commonwealth Government then approached Australian Consolidated Industries Ltd and ratified an agreement with them in the *Motor Vehicles Agreement Act* 1940, giving the company protection against foreign or foreign-controlled, but not Australian, manufacturers ; because of war-time commitments the company was unable to establish a motor vehicle plant.

Manufacturers were again invited to submit plans for the manufacture of motor vehicles in Australia. The proposal from General Motors-Holden's Pty Ltd, which operated manufacturing and assembly facilities in Victoria and South Australia, was accepted, and the first Holden car was displayed in November 1948. In January of the following year manufacturing began on a large scale, and since then more than 2.5 million Holden vehicles have been produced. During the same period Ford greatly expanded the production of motor vehicles at their Geelong and Campbellfield plants. Other manufacturers or assemblers of importance have been the International Harvester Company of Australia Pty Ltd, and Volkswagen Australasia Pty Ltd; the latter ceased operations in 1967 and re-opened shortly afterwards as an assembler of German and Japanese cars. By 1971 there were several other assemblers of both local and imported vehicles operating in Victoria.

The durable consumer goods industry has expanded greatly since the Second World War. The growth of this sector has been dominated by the motor vehicle industry but has also been apparent in the home appliances, rubber goods, and plastics industries. Since 1945 an increasing range of appliances has been adopted in the home as standard equipment, including such items as electric irons, vacuum cleaners, refrigerators, washing machines, and kitchen appliances. The introduction of regular television transmission began in Victoria late in 1956, in time for the Olympic Games held in Melbourne, and further expanded the previously established electronics industry. The production of motor vehicle components for supply to manufacturers and for replacements has grown commensurately with the development of the motor vehicle industry, and the range of parts and accessories made in Victoria has steadily been extended.

In addition to spectacular growth in the automotive industry in Victoria, the petroleum and lubricating oil refining industry developed rapidly during the 1950s and 1960s. The first oil refinery was established by The Commonwealth Oil Refineries Ltd at Laverton in 1924. Except for the period from 1942 to 1946 the refinery operated until 1955. Three major refineries are located in Victoria : that of Shell was established at Geelong in 1954, that of Petroleum Refineries (Australia) at Altona in 1949 (as a lubricating oil and bitumen refinery, subsequently expanded into a petroleum refinery in 1955), and that of BP at Crib Point in 1966. The Geelong refinery was linked to Melbourne in 1954 by a pipeline approximately 33 miles in length. The refinery at Altona was expanded recently to facilitate the processing of Bass Strait crude oil. The oil refinery project at Crib Point was the first sizeable industrial enterprise to be established at Western Port and is planned to include a large integrated iron and steel works and gas fractionation plants in the same area.

The oil refining industry, which has expanded in Victoria since the Second World War, has helped considerably to replace hitherto traditional imports and made possible the development of the petrochemical industry which dates from 1961. In this field a complex involving a number of companies has been set up at Altona which includes a plant for the production of ethylene, butadiene, and propylene from petroleum distillate ; also, plants for the manufacture of styrene butadiene, polybutadiene synthetic rubber, styrene monomer, chlorine, caustic soda and ethylene dichloride, P.V.C. resins and latexes, expandable polystyrene, high and low density polyethylene, polyvinyl acetate, and sulphur. Carbon black has been produced in Altona since 1959 from imported feed stock. A new plant to produce phenol and acetone at West Footscray has been set up. Australia's first acrylonitrile-butadiene-styrene plastics plant was built at Dandenong in 1966.

Three ligno-cellulose board mills have been established in Victoria since the early 1950s : one at Bendigo manufacturing a straw-based ceiling and interior lining board, one at Rosedale, and one near Bacchus Marsh. These two latter plants utilise raw materials from adjacent forests. In addition, two plants producing gypsum plaster board have been set up in Victoria.

Other significant examples of recent local investment in secondary industry have been the installation of a paper and paper-board machine by Australian Paper Manufacturers Ltd at their Fairfield mill, and the establishment of a superphosphate plant at Portland. One fertiliser plant, dating from 1929, operates at Geelong, and another is located in Yarraville.

Another basic industry, the manufacture of plastic products, has also grown substantially during the 1950s and 1960s.

The government enterprises in the La Trobe valley associated with the exploitation of the vast brown coal resources have resulted in a large female labour pool in the La Trobe valley towns of Moe, Yallourn, Morwell, and Traralgon. A number of firms have taken advantage of this labour pool and are manufacturing telephone equipment, shoes, and women's clothing, and are spinning cotton. Brown coal also provides the raw material for char, an industry new to Victoria, which was established in the La Trobe valley in the late 1960s. On the coast at Bullock Island, Lakes Entrance, a pet food cannery and fish meal plant has been built, the first of its kind in Victoria, and another large pet food factory was set up at Wodonga in 1966. One of the more significant of recent industries to be established in Victoria has been the aluminium plant of Alcoa of Australia Ltd at Point Henry near

Geelong, where an aluminium smelter with an extrusion and rolling plant was installed in 1963. A steam generating power station for the plant has been erected at Anglesea, about 25 miles from Geelong, where brown coal reserves are estimated to exceed 400 million tons.

Heavy engineering and construction industries have been closely connected with transport. The Commonwealth Government Engine Works was established in 1943 and was originally equipped to build reciprocating steam engines. Between 1943 and 1952 steam engines, cargo winches, steering engines, and high-speed engines were built. In 1949 production was changed to the manufacture of marine diesel two-stroke engines and eleven years later to building two-stroke turbo-charged marine engines. As well as producing new engines the Works provides an engine repair and consultant service to ships in Australian waters. The naval dockyard at Williamstown is situated on the site of the Alfred Graving Dock which was completed in 1873. Shipbuilding facilities were added in 1913 and the dockyard began converting cargo ships to troop transports in the following year. It was purchased by the Melbourne Harbor Trust in 1924 and preparations began in 1940 for the construction of naval ships. Eight Australian minesweepers were built in three years. The keels of the first two merchant ships of 9,000 tons were laid in 1941 and 1942, respectively, and the Department of the Navy officially took over the Dockyard in 1942. Current construction and refitting work is mainly on destroyer escorts. Duke and Orr's Amalgamated Dry Docks Ltd operate the only remaining commercial graving dock in Victoria. The company was founded in 1910 as an amalgamation of two firms (Wright, Orr and Co. and Charles Duke's dry dock) which date back to 1852 and 1874, respectively.

Various heavy engineering works have built rolling stock for the Victorian Railways. The largest railway engine, an H Class, was built in 1941 by the Newport Workshops and weighed 260 tons. Rolling stock workshops are now established at Newport, Jolimont, Ballarat, Bendigo, and North Melbourne, and are mostly engaged in repair and maintenance activities. In all, hundreds of steam engines were built at the various railway workshops but all have now been removed and replaced by diesel-electric locomotive engines made in New South Wales under contract. Modernised and air-conditioned carriages are made in Victorian Railways workshops and by interstate contractors, and suburban electric motor carriages and trailers are made by Martin and King Pty Ltd of Campbellfield. Prototypes of new stainless steel trailers for introduction on suburban lines during the 1970s have been made at the Newport Workshops.

No account of Victoria's economic development during the past century would be complete without reference to two groups of enterprises which, although their activities were not located in Victoria, directed and financed them from Melbourne. One group, The Broken Hill Proprietary Co. Ltd, originally worked the central leases at Broken Hill, but later sold these to Broken Hill South Ltd and embarked on the production of steel in New South Wales in 1915. Its activities expanded in succeeding decades; its board, originally based in Adelaide, in due course moved to Melbourne where it has remained ever since. Now Australia's largest company, The Broken Hill Proprietary Co. Ltd employs over 55,000 people in a spectrum of activities including steelmaking, shipbuilding, shipping, and mining. The company's wholly owned subsidiary, Hematite Petroleum Pty Ltd, in conjunction with Esso Australia Ltd has developed oil and gas fields in Bass Strait. Already these fields are meeting over two thirds of Australia's petroleum needs. Work has commenced on a new steel mill at Western Port.

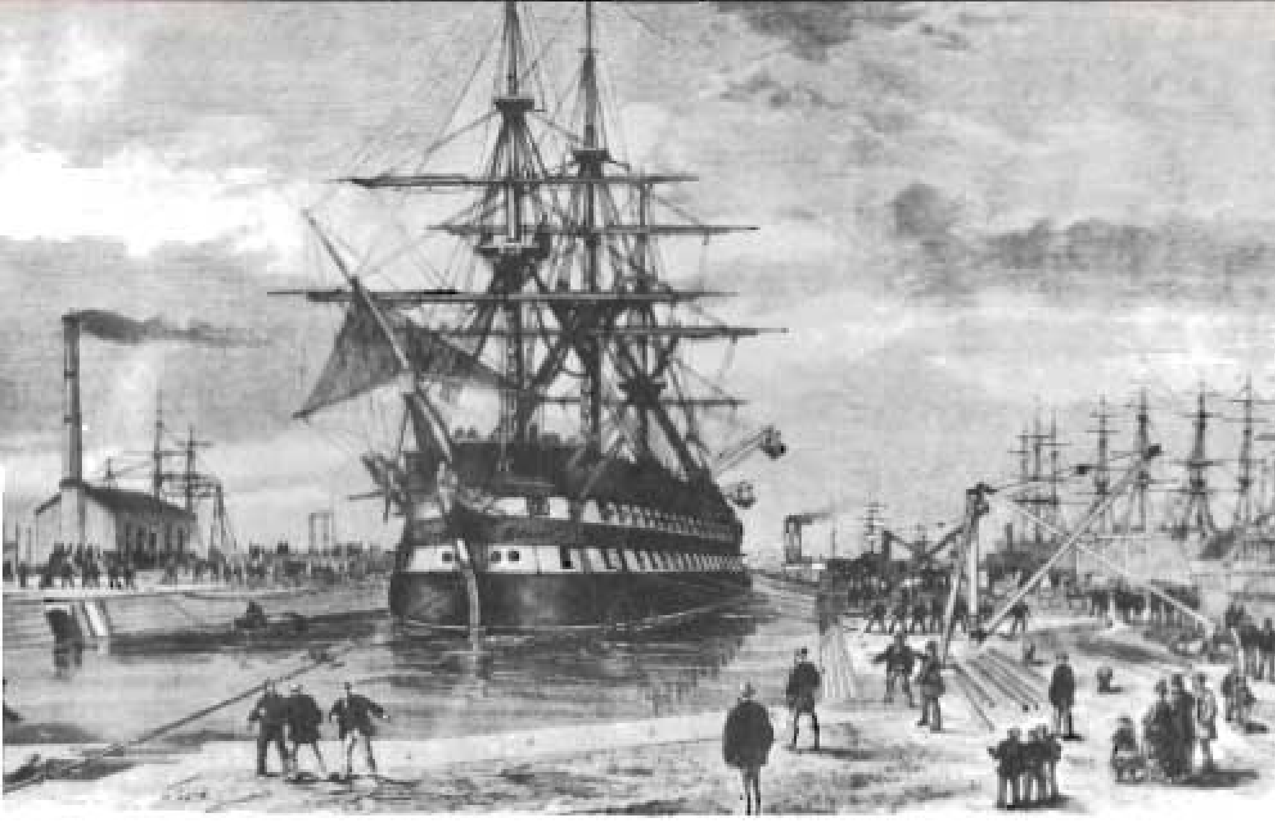
The other enterprises became known as the "Collins House" group, a name derived from the building they occupied in Melbourne. Through a combination of many factors these companies—Broken Hill South Ltd, North Broken Hill Ltd, the Zinc Corporation Ltd, and New Broken Hill Consolidated Ltd (the latter two originally London based)—gained control of the important mines at Broken Hill. Other companies which have been associated with Collins House over the years have been EZ Industries (operating in Tasmania), Broken Hill Associated Smelters Pty Ltd (in South Australia), the Western Mining Corporation Ltd (in Western Australia), Electrolytic Refining and Smelting Co. (at Port Kembla), and Associated Paper and Pulp Mills Ltd (in Tasmania). Some of these companies, such as EZ Industries and Conzinc Riotinto of Australia Ltd (the descendant of the original Zinc Corporation), have since severed their connections with the Collins House group and have moved their head offices elsewhere in Melbourne. North and South Broken Hill companies have also taken part in the foundation of the Commonwealth Aircraft Corporation Pty Ltd (which was originally also sponsored by B.H.P.) and with Western Mining Corporation Ltd have formed Alcoa of Australia Pty Ltd.

Employment in almost every class of Victorian manufacturing industry expanded between the mid-1940s and the late 1960s. In recent years secondary industry has also exported a wide range of manufactured goods, some of the more important being butter, cheese, flour and other foodstuffs, motor vehicles and parts, animal fibres, chemical and petroleum products, agricultural machinery, and electrical machinery and apparatus.

Foreign investment capital with the technical knowledge and modern equipment which has accompanied it has played a significant part in Victoria's industrial progress. Overseas firms have shared in, and contributed to, this expansion, mainly by establishing new branches and subsidiaries or by expanding existing ones, or by organising a wide variety of licensing or royalty agreements. There has also been portfolio investment from overseas in Australian companies. Direct overseas investment has been particularly prominent in the motor vehicle and electrical engineering industries including the manufacture of telecommunications equipment, electrical control apparatus, and electric motors, and also in oil refining, man-made fibre textiles, petrochemicals and industrial chemicals, fertilisers, and paint, and in food, drink, and tobacco manufacture. In 1968 the old-established Carlton and United Breweries Ltd ceased to be the only brewer in Victoria when Courage Breweries Ltd established a new $11m brewery at Broadmeadows.

A diverse and complex range of products making a significant contribution to the Australian economy is now being produced in Victoria. Most of the State's secondary industrial development is concentrated around Melbourne, the metropolitan area accounting for about 80 per cent by value of the State's industrial production. In addition to virtually being the financial capital of Australia (based on the number of large companies centred in Melbourne), Melbourne has other advantages : it is a large centre of population, providing labour on the one hand and a ready market on the other ; its port has been able to sustain large scale commercial development ; and it is the major hub of the State's rail, road, and air transport systems. However, areas which have grown rapidly outside Melbourne are Geelong and the La Trobe valley. Geelong is the major industrial centre outside the metropolitan area with established motor vehicle, agricultural machinery, tractor and other light engineering, aluminium smelting and extruding, textile, clothing, foodstuffs, petrol refining, cement, and glass industries. Another industrial centre, the La Trobe valley, has been the scene of Victoria's power production and this has given rise to a complex of various industries. Other parts of the State have also witnessed industrial development : in Ballarat and Bendigo this has gone far back into the early years of Victorian history ; in other centres such as Wangaratta (textiles), Shepparton (foodstuffs), Warrnambool (clothing), and Wodonga (pet food) the development has been more recent. Looking back to the 1830s one is thus aware of a pattern of virtually continuous industrial development and diversification emerging side by side with such national events as the discovery of gold, Federation, two depressions, and varying inflows of migrants, as well as with the more immediate domestic effects of various social and political developments and two world wars. By the beginning of the 1970s Victoria's economy was based on sure sources of power from brown coal, crude oil, and natural gas ; concentrated on such major industries as light engineering, clothing, food, chemicals, and paper ; diversified to some degree in its location ; and looking to the future for markets both at home and abroad.

Specialised machining of disc brake calipers.
Repco Ltd

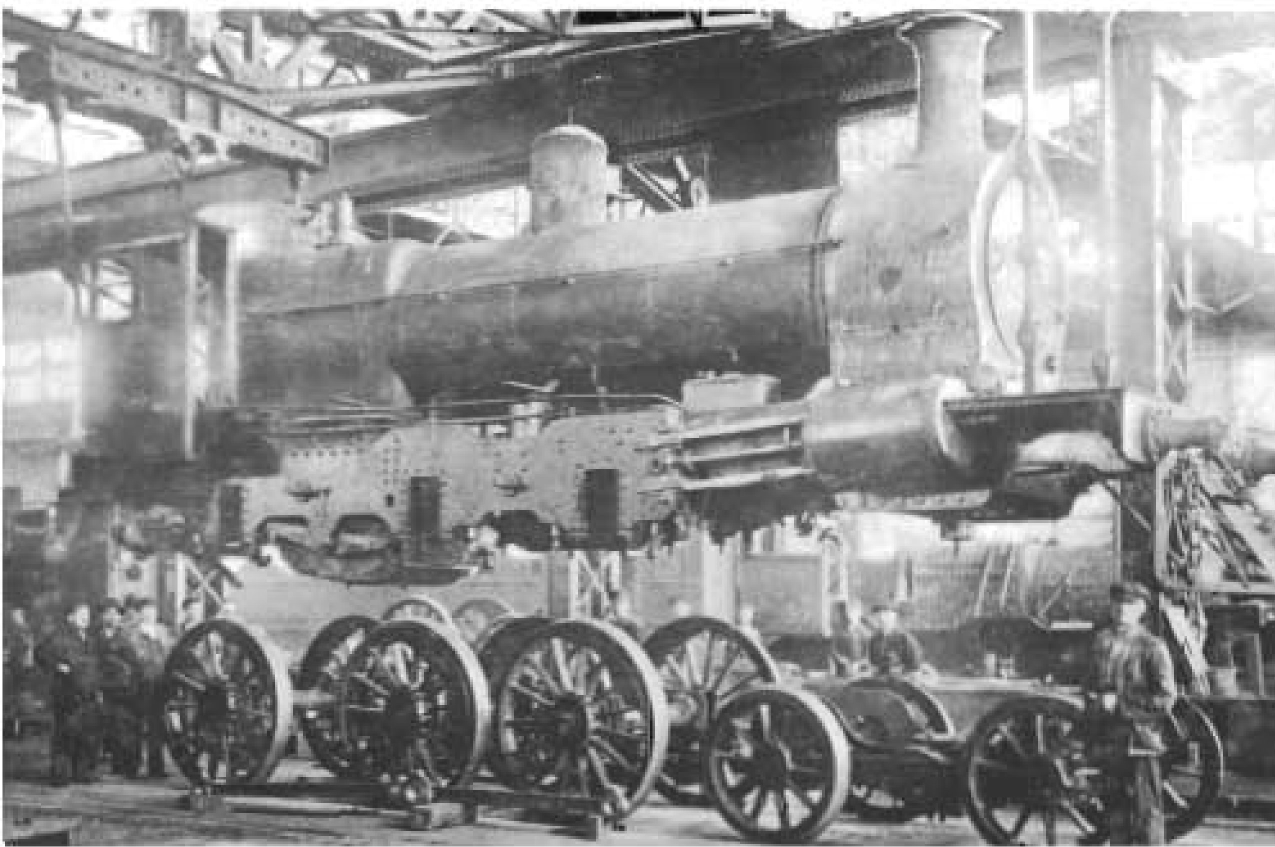


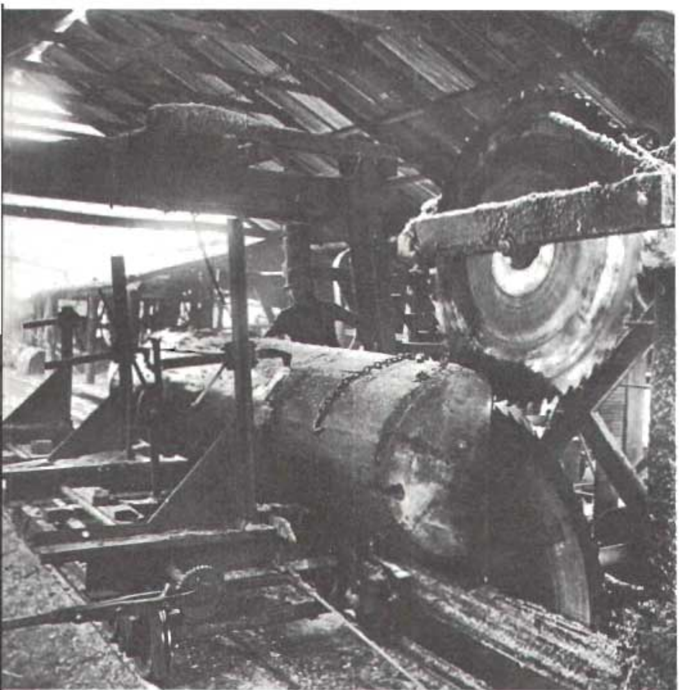
Opening of the graving dock at Williamstown in 1874

Melbourne Harbor Trust

Locomotive being assembled at Bendigo railway workshop in 1920

Victorian Railways





Breaking down saw of the type commonly found in Victorian timber mills.
Forests Commission

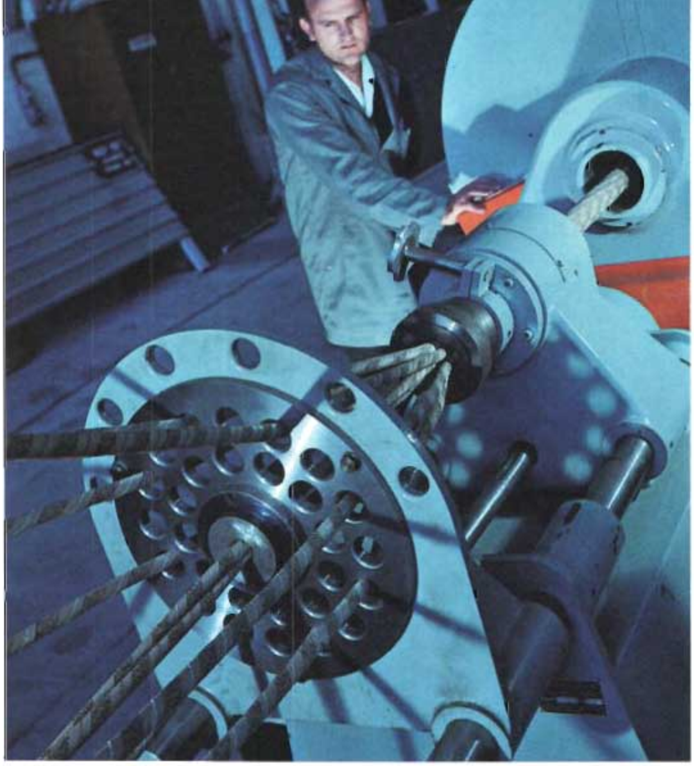
Assembling wings for the Australian designed *Boomerang*, c. 1943.
Department of Supply

A clothing factory in Melbourne, centre of Australia's fashion industry.
International Public Relations

Preparation of pasta foods for canning.
H. J. Heinz Co. Aust. Ltd

Continuous butter making at Leongatha.
Val Foreman

Bulk carriage terminal for milk.
Australian Dairy Produce Board

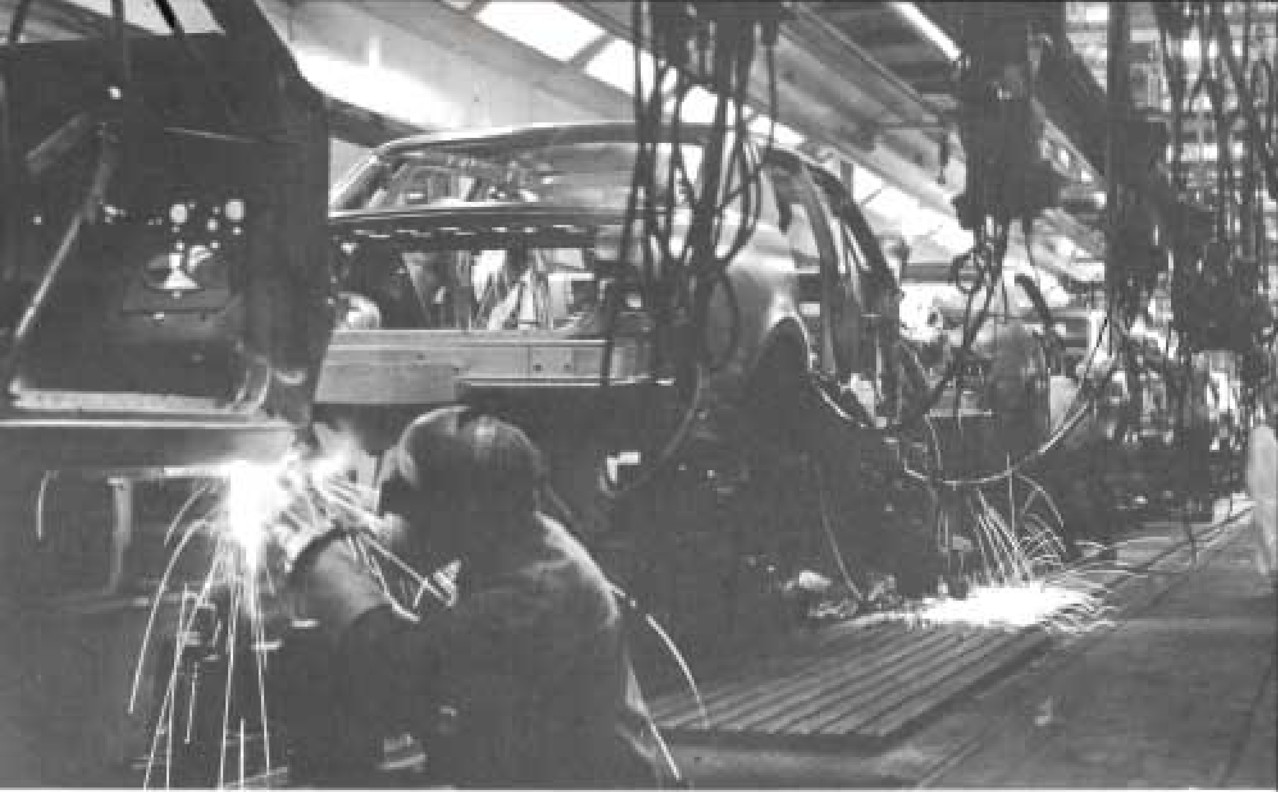


Bundles of quad wire being laid up to form a large telephone cable.

Olympic Cables Pty Ltd

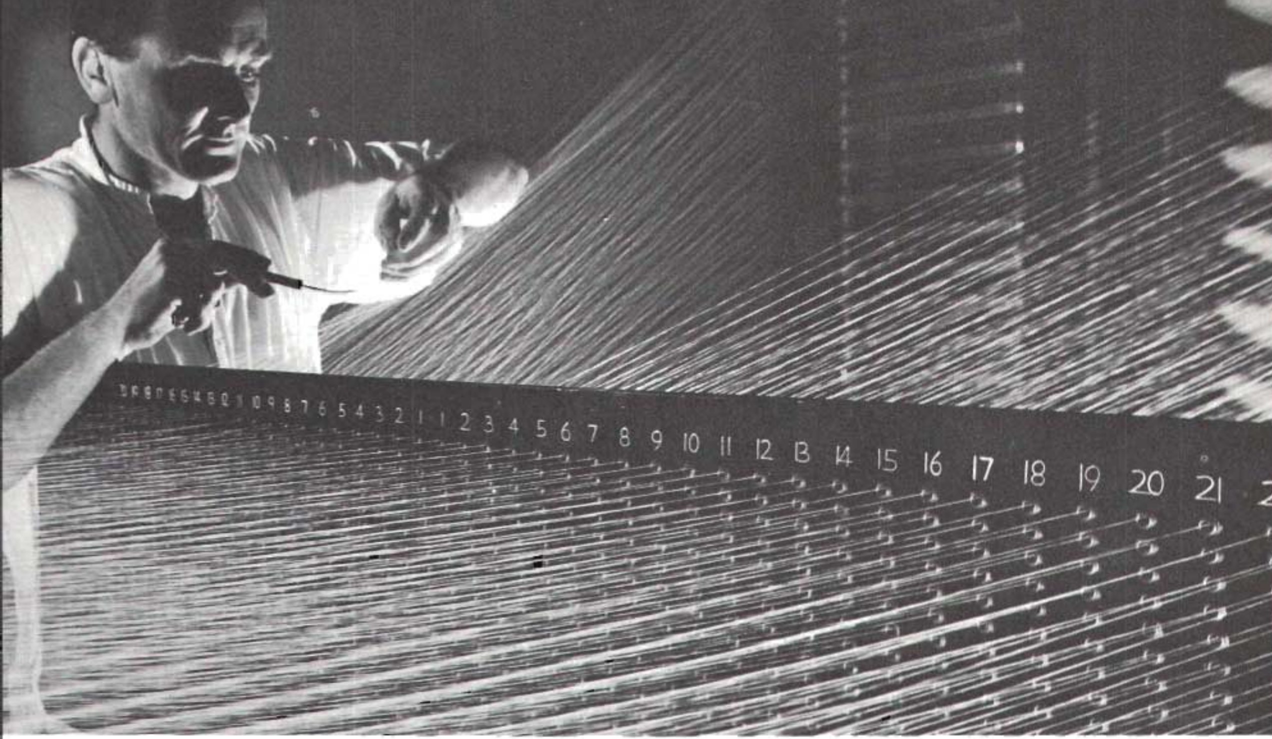
Cast iron bath being removed from heating furnace for enamelling.

Beaver Photographic



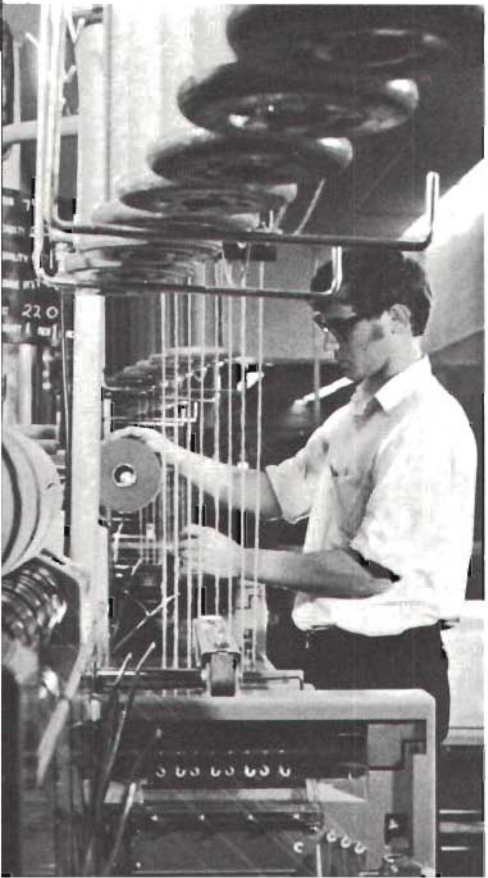
Assembly line production of motor vehicle bodies.
General Motors-Holden's Pty Ltd

Naphtha fractionation unit at the Altona petrochemical complex.
Mobil Oil Australia Ltd

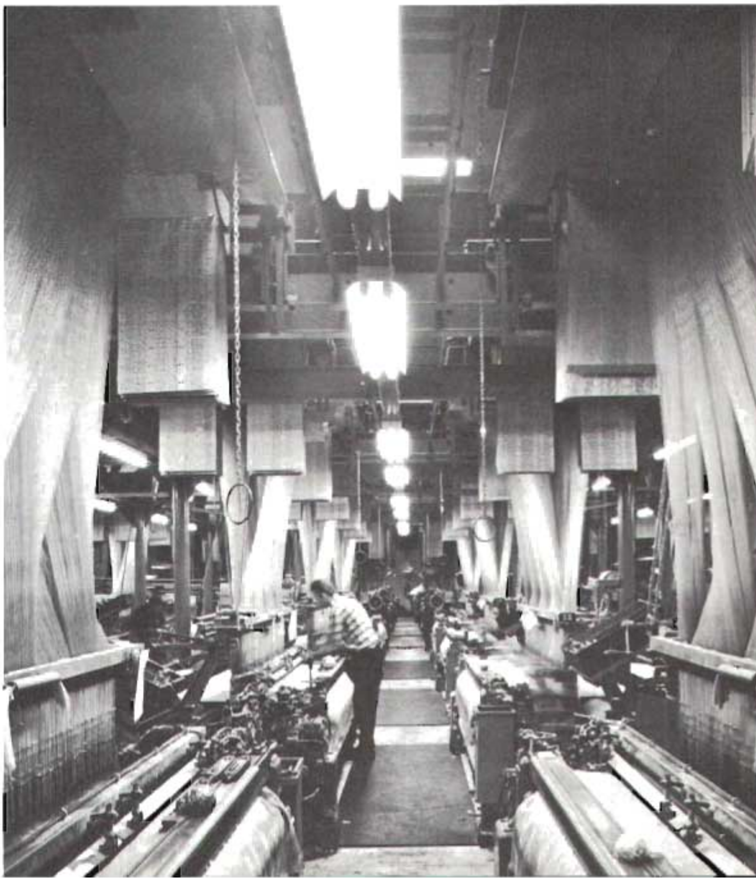


Processing synthetic fibres.
Fibremakers Ltd

The C.S.I.R.O./Repco self-twist spinning machine.
Repco Ltd

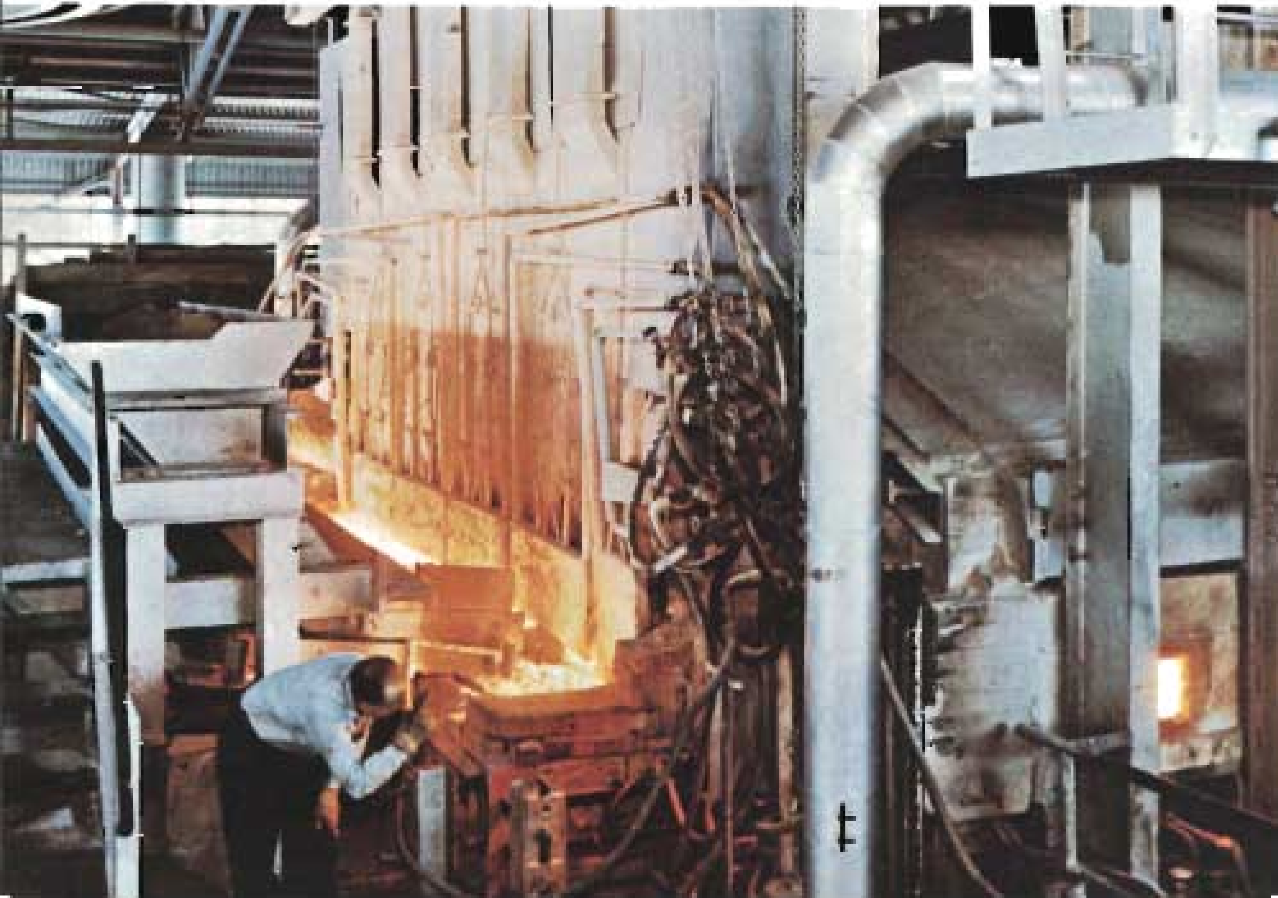


Loom weaving jacquard ticking.
Bekaert (Australia) Pty Ltd



Continuous paper making machine at Fairfield.
Australian Paper Manufacturers Ltd

Modern glass furnace for producing window glass.
Australian Consolidated Industries Ltd



5

PRIVATE FINANCE

BANKING

During the 1830s Australia was developing a mixed economy with free enterprise financed by British capital ; at this time Melbourne was settled largely as the port and commercial centre for the pastoral industry. Banking functions were provided mainly by the Government Commissariat which paid local suppliers by bills drawn on the British Treasury, thus providing foreign exchange in sterling to pay for imports. In the same way, salaries of Her Majesty's officers were often paid in sterling, which could be used to purchase imports. A sterling exchange standard virtually existed in Victoria, therefore, from its establishment.

Trading and savings banks

The early dominance of the private sector in the Port Phillip District supported demands for economic as well as political independence. The economy was also expanding geographically, and added pressure to the demand for a flexible banking structure. The first attempt to establish banking in Victoria was made by the Derwent Bank, which opened an agency in Melbourne in February 1838 ; in October of that year it was taken over and converted to a branch by the English financed Union Bank of Australia. Two other banks opened in Melbourne in 1838. The Commercial Banking Company of Sydney opened an agency in June but its operation was short-lived, for it closed in December 1839. The Bank of Australasia, London based, established its first Melbourne branch on 28 August. The Port Phillip Bank, the first locally sponsored bank, operated from 1839 to 1842, when it failed during one of the recessions which occurred after bad seasons and falling export prices. The resultant withdrawal of British capital aggravated these recessions, especially because most banks accepted deposits, as well as capital, from Britain. The Savings Bank of Port Phillip, an offshoot of the New South Wales Savings Bank, opened in 1842, and soon operated several branches. It was the forerunner of the State Savings Bank of Victoria and, lacking at that time the traditional savings bank asset of government security, began to engage in mortgage lending as its chief source of income. This practice was not favoured by the trading banks of the period. The trading banks, accompanying the pastoral expansion, moved into the major country centres, and provided facilities for the frequent use of drafts and cheques, a necessary feature of widespread settlement. From 1838, therefore, branch banking as distinct from unit banking began in Victoria.

In 1851 two important events transformed life in Victoria: first, the Colony was separated from New South Wales, and second, gold was discovered. These events required a larger banking network and a wider range of credit opportunities. Near the diggings, banks also set up branches or agencies authorised to buy gold.

A number of banks opened during the 1850s. In 1851 Australia's oldest bank, the Bank of New South Wales, established a branch in Victoria. This was followed in 1852 by three English banks : the English, Scottish and Australian Bank, the London Chartered Bank of Australasia, and the Oriental Bank Corporation, all with head offices in London. During 1852 the Post Office Savings Bank system began to operate in Victoria, and post offices throughout the Colony were used as branches. It amalgamated with the Port Phillip Savings Bank in 1896. The Bank of Victoria opened in 1853, the Colonial Bank of Australasia in 1856, and the National Bank of Australasia in 1858.

Diggers returning from the goldfields turned to farming, grazing, shopkeeping, or manufacturing, and banks had, therefore, to adjust their patterns of lending. However, the English banking tradition which maintained that discounting of bills was the " proper " business of banks lingered into the 1850s. Merchants, hitherto the main banking clients, continued to have access to credit borrowing on bills, and rural credit was provided through them. Farmers borrowed from the merchants, who sold the farmers' produce on commission and supplied their provisions and equipment. Until the 1860s banks were able to lend on liens on wool and by mortgages on stock. After that time they broadened their basis of lending and began to advance money on the security of land ; this was to play a major part in Victoria's expansion in the second half of the nineteenth century, although this course was not taken by choice. Liquid security was not available in sufficient amounts, as the mercantile community was not large enough to absorb a major portion of bank funds in its trade bills. Consequently, much of the trading banks' funds were unavoidably placed beyond quick recall.

A feature of banking development after the gold rush was the spread of banking networks, not only in the path of farming development, but also over several colonies ; through deliberate merger and amalgamation policies, nation-wide branch systems emerged. This spread of interests was essential in a vast country where bad seasons or weak export markets could rapidly depress large areas. The ability to support these areas by drawing funds from prospering regions was a welcome development. The 1860s saw the establishment of the Ballarat Banking Company (1865) and the Commercial Bank of Australia (1866), and in 1867 the opening in Melbourne of the first cheque clearing house in Australia. More new banks were opened in the 1870s to serve the growing Colony, especially following the growth of wheat farming in the Wimmera, and by the late 1870s there were twelve, several with London head offices.

The decade of the 1880s was a very prosperous period in Victoria's history with English capital flowing into the Colony at a rapid rate and Melbourne's population rising from 300,000 to almost 500,000 during the decade. Many Victorian banks made advances to speculators on the security of grossly overvalued land. The economic collapse of the 1890s led to possibly the most severe depression ever experienced in Victoria, with large numbers of unemployed and the failure of many of the financial institutions. So serious did the crisis become that in April 1893 the Victorian Government declared a bank holiday of one week to enable the banks to consolidate their coin reserves. Some banks ignored the declaration and stayed open during the week, but of those which closed, some either did not re-open or were forced to suspend payment shortly after re-opening and to undergo reconstruction. One result of the financial difficulties was the appointment of a Royal Commission on Banking in 1895, some of whose recommendations were subsequently adopted. An 1896 Act introduced a credit foncier department into the State Savings Bank of Victoria, and this played an important role in extending to farmers long-term credit at a cost much lower than that previously available. This was one result of the recommendations of the Royal Commission.

The first new bank to be established in Victoria in this century was the Commonwealth Bank of Australia, which was set up by the Commonwealth Government in 1911 as a savings, trading, and central bank. The Commonwealth Government, through its new central bank, took over the note issue from the private banks, a course of action which had already been recommended by the Victorian Royal Commission. The first Australian notes were issued in 1913 by the Commonwealth Treasury. The bank's functions have been strengthened over the years. Branches of the Bank of Adelaide, the Comptoir National (now the Banque Nationale de Paris), and the Bank of New Zealand were also established in the early years of this century. From 1910 long-term, low interest rate loans (credit foncier) were made available by the State Savings Bank to home builders as well as to farmers.

A feature of banking in this century has been the Australia-wide amalgamations which have continued to the present time. The first to concern Victoria was the merger between the National Bank and the Colonial Bank in 1918. In 1921 the English, Scottish and Australian Bank absorbed the London Chartered Bank, and later (1970) merged with the Australia and New Zealand Bank, itself the result of a merger between the Bank of Australasia and the Union Bank in 1951. The Commercial Banking Company of Sydney, which was briefly established in Victoria in the 1830s, returned to the State when it took over the Bank of Victoria in 1927. The National, having absorbed the Bank of Queensland in 1922, the Queensland National Bank in 1948, and the Ballarat Banking Company in 1954, discussed plans for merging with the Commercial Banking Company of Sydney in 1969, but failed to reach agreement. This series of amalgamations meant a consolidation of financial power into relatively few major trading banks operating a large number of branches and agencies.

The financial power of the banks had been a matter of concern for the Federal Government. The inadequacies of its central banking powers exercised through the Commonwealth Bank became more obvious during the 1930s, and the Royal Commission which was set up in 1936 to inquire into the Australian monetary and banking system underlined the need for an improvement in its central bank controls. The 1945 Commonwealth legislation strengthened the Commonwealth Bank's central banking functions by enabling it to retain most of its war-time emergency powers. However, the constitutional validity of sections 18 to 22 (dealing with Special Accounts procedures) and section 48 (compelling the transfer of all government and semi-government accounts from trading banks to the Commonwealth Bank) of the 1945 legislation was challenged in the High Court of Australia, and the Court upheld the challenge to section 48. The judgment eventually led to the passing of the *Banking Act* 1947 which provided for the nationalisation of all private banks in Australia. The validity of this legislation was challenged in the High Court which, in August 1948, held that certain vital sections of the Act were invalid. The Privy Council later upheld this decision. Ultimately the central banking powers were transferred to the newly created Reserve Bank of Australia in 1959.

Another important development has been the entry of private trading banks into the savings bank field. This began in 1956, when three of the private trading banks established savings bank subsidiaries at all their Victorian branches, and by 1962 all the major trading banks had established subsidiaries. The State Savings Bank of Victoria subsequently extended its facilities and its branch network, so that, in scope of operations, it now compares more nearly with the trading banks.

Since April 1962 each of the major trading banks has maintained a Term Loan Fund account with the Reserve Bank. These accounts, which have played an important part in extending the lending facilities of the banks, provide a special source of finance from which medium-term loans for capital expenditure and export purposes can be made. A similar but more specialised account is the Farm Development Loan Fund account which was established in March 1966. Each of the major trading banks has such an account with the Reserve Bank. Farm development loans provide finance to increase productivity in rural industries and to assist in drought relief.

In August 1964, with the help of the Reserve Bank, the major trading banks set up the Australian Banks Export Re-Finance Corporation Ltd. This supplements resources, including Term Loan Funds, already available to the banking system for the financing of exports. Its re-finance support supplements the capacity of the banks to allow large or extended export transactions to be undertaken without causing an undue strain on the banks' resources.

Commercial bills are an established feature of trading bank financing, but they have recently come to assume a greater significance in the banks' business operations. In January 1965 the Commonwealth Treasurer allowed the discount houses to deal in commercial bills provided they carried acceptance or endorsement by a trading bank, when the Reserve Bank would act as lender of last resort by providing the discount houses with credit facilities for this new purpose. The development of a commercial bills market has provided the business community with an additional source of finance for seasonal and other short-term needs.

The Australian Resources Development Bank was established in November 1967 by the major trading banks with the support of the Reserve Bank, and it commenced operations in March 1968. The main purpose is to help Australian enterprises participate more fully in the development of Australia's natural resources. The Resources Bank may lend and invest directly in the undertakings being financed, or re-finance loans made by the participating trading banks. In addition to capital and loan funds from the shareholding trading banks and other participating banks, including the Reserve Bank and some savings banks, funds are obtained locally and from overseas. The Resources Bank introduced Transferable Certificates of Deposit, which are marketable registered securities, as a form of investment in Australia ; these were first issued in April 1968. Marketable Certificates of Deposit were also issued by the trading banks from March 1969. They are issued in amounts of $50,000 and over for periods ranging from three months to two years.

Over recent years the trading banks have moved into avenues of higher risk lending, such as unsecured and partly secured personal loans, leasing finance, and short-term bridging loans for land and property development. Savings banks have introduced new forms of deposits which offer higher interest rates than their traditional passbook accounts.

Victorian banks provide the full range of banking and related services. They accept deposits for safe keeping which are repayable on demand and transferable by cheque and, while paying no interest on such current accounts, they make a service charge. They also accept deposits for defined periods at interest ; transfer money within the Australian banking system ; with agent banks throughout the world, provide working capital for trade and industry, mainly on overdraft with interest charged on the daily balance outstanding ; provide finance for home purchasers ; and finance overseas trade by such means as the bill of exchange. They offer special services including trade introductions, market appraisals, economic reports, and specialised publications, and act as nominees, registrars, and travel agents. Most of the banks are associated with finance companies and some with unit trusts, their branches acting as agents for these businesses.

Central banking

Australia's central bank is the Reserve Bank of Australia. It derives from the Commonwealth legislation of 1911 which established the Commonwealth Bank of Australia. The Bank was to carry on both savings bank and general banking operations, and it commenced the former in July 1912 and the latter in January 1913.

Under the *Australian Notes Act* 1910 it became an offence for any bank to issue notes or circulate notes issued by a State government, and at the same time a tax was imposed under the Bank Notes Tax Act to discourage the trading banks from issuing notes. Under the Australian Notes Act the Commonwealth Treasurer became the issuing authority for Australian notes. The note issue was related to a statutory gold reserve, although the right to export and import gold was unrestricted until 1915 when the consent of the Commonwealth Treasurer became necessary before gold could be exported. This restriction was removed in 1925. The Note Issue Department of the Commonwealth Bank was created in 1920, and in 1924 the Bank became the Australian note printing and issue authority.

During the First World War the Bank helped organise and finance commodity pools to market exports as well as float and manage local loans for the Government, which had previously relied largely on London funds. In the depression years the Bank became involved in emergency financial measures. To help protect Australia's overseas reserves, the Bank had the power under the *Commonwealth Bank Act* 1929 to requisition all Australian gold and to prohibit its export without authority, although no formal action was taken under this legislation. The trading banks had accepted deposits with the Commonwealth Bank in return for voluntarily relinquishing their gold holdings.

Up to 1929 most of Australia's overseas exchange was held in London, but during 1930 and 1931 long-term government borrowing abroad ceased, imports were heavy, export prices were falling, and consequently the trading banks' London funds decreased rapidly; this resulted in a depreciation of the Australian currency in terms of sterling. In 1931 the Commonwealth Bank assumed control of the exchange rate by buying and selling exchange on London at fixed rates. This practice continued until war broke out in 1939, when specific exchange rate responsibilities were vested in the Bank for the first time. The Royal Commission into the Monetary and Banking Systems in Australia stated in 1937 that it was important for Australia to have a strong, publicly-owned central bank to exercise control over the trading banks.

The emergency measures adopted from 1939 to 1941 under the National Security (Banking) Regulations formed the basis for Australia's post-war system of central banking. At the outbreak of war in 1939 the Bank acquired all newly-won gold, and exports of gold from Australia without permission were again prohibited. During the Second World War other emergency powers given to the Bank included the mobilising of Australia's overseas funds and wide powers of control over the banking system. This control included such measures as determining lending policy and interest rates, and requiring the private banks to lodge funds with the central bank in the form of Special Accounts.

The Commonwealth Bank Act and the Banking Act of 1945 enabled the Commonwealth Bank to retain most of its central banking powers acquired during the war. The 1959 legislation (now in the *Reserve Bank Act* 1959–1966 and the *Banking Act* 1959–1967) resulted in a structural reorganisation of the Commonwealth Bank, which became the "Reserve Bank of Australia". The former commercial and savings bank subsidiaries, except the Rural Credit Department, were lost by the Reserve Bank. A new banking institution, the "Commonwealth Banking Corporation", was created and this was composed of the Commonwealth Trading Bank, the Commonwealth Savings Bank, and the new Commonwealth Development Bank, this latter being the union of two former specialised departments of the Commonwealth Bank, the Mortgage Bank Department, and the Industrial Finance Department.

INSURANCE

Life assurance

Before 1869 most life assurance business written in Victoria was provided by British based companies and the Sydney based Australian Mutual Provident Society. In 1869 the first major Victorian mutual life company, the National Mutual Life, was established. This company was the first in the world to introduce a full non-forfeiture condition whereby if a policy lapsed it would be continued as long as it had a surrender value. By 1876 four more companies were established in Melbourne: the

Mutual Assurance Society of Victoria, the Australian Widows' Fund, the Colonial Mutual Life, and the Australasian Temperance and General. In 1872 a British company, the European Assurance Society, which held many policies in Victoria, failed. This event led to the promulgation of the Victorian Life Assurance Company Act of 1873 which ensured publication of company accounts to protect the public against weak companies; the Act became operative on 24 April 1874. At this time the death rate in Australia was significantly lower than in Europe; during the period 1871 to 1877 the average crude death rate in England and Wales was 20.3 per 1,000, while in Victoria the average was 15.8. This situation gave the Australian companies a competitive advantage over their British counterparts who based their premiums on British life tables. Furthermore, at a later stage the British Revenue Act of 1884 required probate duty to be paid in England on amounts claimed on policies overseas. These events gave the British companies little hope of attracting policy holders in Victoria.

In the mid-1880s, amid much controversy, the activities of three American companies, the New York Life Insurance Company, the Equitable Life Assurance Society of the United States, and the Mutual Life Assurance Society of New York became prominent in Victoria. One type of policy issued by the companies was Tontine insurance* which raised many objections among local insurance men, but despite this the American companies flourished.

In 1884 the Insurance Institute of Victoria was established, the first of its kind in Australia. Following a period of great speculation on the strength of increasing land values, much of which was carried out on credit, a recession occurred in the late 1880s and early 1890s. This produced a run on the surrender of policies. Heavy unemployment in Melbourne caused emigration to other colonies, and for the first time since the gold rushes the population of Victoria was exceeded by that of New South Wales. However, most companies weathered the storm, but some small companies were taken over by larger concerns and a merger between the National Mutual and the Mutual of Victoria occurred in 1896. Life assurance statistics for the whole of Australia were published in *The Australian Insurance and Banking Record.* The first Victorian life assurance statistics were published in 1891 and appear below:

VICTORIA—LIFE ASSURANCE POLICIES IN FORCE, 1891

Nature of policy	Number		Amount	
	Total	Per 1,000 of population	Total	Average per policy
			£	£
Assurance	108,513	93.7	23,726,232	219
Endowment	14,334	12.4	1,174,642	82
Annuity	92	0.1	11,972	130

* A system of life insurance owing its name to Lorenzo Tonti, an Italian banker born in Naples early in the seventeenth century, who settled in France about 1650. Under this system associated policy holders agreed to receive no dividend, return-premium, etc., until the end of a fixed period called the Tontine period. The profits were equally distributed among those who survived the Tontine period.

By 1893 there were fifteen companies which carried out life assurance business in Victoria, six of them with head offices in the State, their Victorian assets being £7m and the estimated annual premiums £940,000.

In 1896 the Victorian Government appointed a Royal Commission to consider, *inter alia,* the desirability of any amendment in the law relating to the registration, supervision, and control of societies or persons transacting insurance business or business of a like nature. The Commission recommended that more detailed information should be provided about the business transactions and affairs of life assurance companies. Prior to Federation some aspects of life assurance were covered by legislation in four colonies including Victoria. In 1908 an inquiry in New York into life office management led to accusations that offices were not being run for policy holders but for the benefit of shareholders. Legislation was subsequently passed limiting the amount of new business which could be written and controlling annual bonuses. Consequently the American companies in Victoria either ceased writing new business or drastically reduced their turnover; between 1922 and 1928 the business of these companies was absorbed by Australian firms. The growing number of companies engaged in the insurance business led in 1905 to the formation of a Life Offices' Association of Australia with the aim of promoting the interests of members and their policy holders. In the same year the Commonwealth Life Assurance Companies Act was passed, and in 1909 a Commonwealth Royal Commission examined complaints relating to the conduct of industrial assurance, a class of life assurance where premiums were paid regularly to a collector. The scope of this inquiry was subsequently extended to cover ordinary life assurance and then to all forms of insurance. As a result of the 1909 Royal Commission a Commonwealth Bill was proposed in 1912 but was not passed.

At the same time industrial assurance was increasing rapidly, and by 1911 the number of policies was 147,044 and the sum assured $6m. The boom of the 1920s led to a great increase in the amount of new business of both types written in Victoria. The number of ordinary life assurance policies in force in 1920 was 238,414 and the sum assured was $107m, but in 1929 policies numbered 288,847 and the sum assured was $174m. During the same period industrial life assurance policies also increased from 286,106 to 552,943 and the sum assured rose from $16m to $47m.

The depression followed and the volume of new business decreased sharply. Numerous policies were allowed to lapse or were surrendered. By 1933 all major life offices were underwriting superannuation schemes and by 1940, although there were only three more offices than in 1920, the combined number of ordinary and superannuation policies in force had reached 373,359. This number represented a sum of $261m, over twice the level of policies in existence in 1920. In 1945 the Commonwealth Insurance Act was passed under section 51 of the Constitution. This Act replaced existing Commonwealth and State Acts and resulted in uniform legislation throughout Australia. Industrial assurance continued to grow and by 1946 accounted for 1,119,476 policies worth $117m. In 1955 more British companies began to conduct business in Victoria. However, most business still remained in the hands of Australian companies. By 1968 industrial business in Victoria had declined to 756,180 policies worth $308m.

On the other hand the number of ordinary and superannuation policies was 1,287,951 and the sum assured $5,774m. These figures reflect the extraordinary growth of life assurance in Victoria.

Income tax concessions on life assurance premiums constitute a major factor which has determined this growth. In 1915, when taxation concessions for life assurance premiums were first introduced, the State Government allowed £50 deduction on behalf of the taxpayer only and the Commonwealth Government £50 on behalf of the taxpayer or his dependants. The Commonwealth also allowed an additional £50 deduction in respect of contributions to a superannuation, sustentation, or widows' or orphans' fund, or any friendly society. In 1936 the Commonwealth allowances were amalgamated into a total allowance of £100. In July 1942 the Commonwealth, under the uniform tax legislation, became the only authority to impose taxes on income. In 1943 the concessional deduction system was replaced by a concessional rebate system set at £100. In 1950 the rebate system reverted to a concessional deduction system and the maximum allowed was increased to £200 ; in 1956 it was increased to £300, in 1959 to £400, and in 1967 to $1,200.

The *Income Tax and Social Services Contribution Act* 1961 introduced into the income tax law new features relating to the incomes of life assurance companies and superannuation funds. The practical effect of the new provisions was that certain deductions and rebates available to a company carrying on a business of life assurance would vary according to the proportion of its assets invested in public securities. The basic test in this regard was whether not less than 30 per cent of the total assets of the company or fund were held in public securities, including Commonwealth securities equal to at least 20 per cent of the total assets.

Life assurance companies have provided a large segment of the funds available for the capital market. Since 1960 a significant variation has taken place in the distribution of assets held in Australia between the various classes of investment open to life offices. The percentage of assets invested in governmental and semi-governmental securities has decreased, whereas the percentage of assets invested in property, company debentures, and shares has substantially increased. Life offices are, and have long been, large investors in mortgages of real estate. Besides lending on real estate, life offices have invested heavily in property and in the construction of new buildings. In the 1960s, in the City of Melbourne alone, they erected fifteen multi-storey buildings.

Fire, marine, and general insurance

Before 1839 insurance of buildings and ships in Victoria was provided by companies based in Britain, Sydney, or Tasmania, and the *Port Phillip Patriot and Melbourne Advertiser*, later absorbed by the *Argus*, criticised this trend at the time. The delay and uncertainty of transacting insurance business through Sydney and Tasmanian agencies finally led to the formation of the Melbourne Fire and Marine Insurance Company at a meeting in the Lamb Inn in Collins Street on 6 April 1839. This company carried six classes of risk at premiums ranging from 5s 6d to 42s per £100. In 1843 this office closed down after claims arising from two extensive fires in Collins Street. Meanwhile, in 1840, Lloyd's of London established an agency in

Melbourne. In 1847 an attempt to start a new insurance company failed through undersubscription, but in the following year the Victoria Fire and Marine Insurance Company commenced operations. By August 1857 there were thirteen companies in the field. An estimate of premium income for Melbourne (excluding that of the Alliance, the Launceston, and the Derwent and Tamar) for the year ended 31 August 1861 was £66,366. Further afield in Geelong an attempt was made in 1847 to form the Australia Felix Fire and Marine Assurance Company; however, the company eventually established in that city in 1850 was the Geelong and Western District Fire and Marine Insurance Company.

There was no fire tariff at the time but a common area of interest was the insurance companies' fire brigade. The first fire brigade was formed in 1845 under the command of W. J. Sugden, the Chief City Constable, and was called the "Fire Prevention Society". It was eventually taken over in 1851 by the Victoria Insurance Company. By 1859 most companies possessed fire engines and there were several volunteer fire brigades. Before the opening of the Yan Yean Reservoir on 31 December 1857 water was carried from the Yarra River in carts; the first and second carts arriving at the scene of the fire received payments of £3 3s and £2 2s, respectively. Eventually in 1890 the Metropolitan Fire Brigades Board was constituted by the *Fire Brigades Act* 1890, and insurance companies are still legally required to contribute to the upkeep of fire brigades.

In 1874 the various companies agreed upon a uniform tariff but the agreement collapsed in 1882 and resulted in a rate-cutting war. At this time forty companies were transacting fire, marine, and general insurance business in Melbourne. In 1887 the Fire Underwriters Association was formed, followed by the establishment of the Accident Underwriters Association in 1902.

On 21 November 1897 a fire in the heart of the city of Melbourne laid waste most of the block bounded by Elizabeth, Flinders, and Swanston Streets, and Flinders Lane. Damage was estimated at £1m (a very large sum in those days) and the insurance companies were liable for £0.75m.

Fire, marine, and general insurance statistics for Victoria were first collected in 1904. In that year premiums for all classes of insurance were £614,283 and claims £254,059. Business increased rapidly and by 1913 premiums had reached £1m. In 1914 the State Government passed the Workers Compensation Act which compelled employers to insure their employees against death or injury incurred in the course of their employment. In the same year the State Accident Insurance Office was established under this Act. During the First World War the additional insurance required by ships at sea increased marine insurance premiums from £180,694 in 1913 to a war-time peak of £308,792 in 1918. Marine insurance premiums continued to rise for some time after the end of the war, reaching £403,027 in 1921 then declining to £200,819 in 1932. During the Second World War, as in the First World War, marine insurance premiums showed a marked increase from £288,358 in 1938–39 to a peak of £1,279,757 in 1942–43.

In the meantime the advent of the motor car was becoming significant in the field of insurance. In 1924 car insurance premiums amounted to

£355,071, 11.8 per cent of total premiums as compared with 2.5 per cent in 1918. In 1929–30, 120 offices were transacting general insurance business in Victoria; by 1938–39 the number had risen to 129. The Fire Underwriters Association and the Accident Underwriters Association amalgamated in 1939 to form the Fire and Accident Underwriters Association of Victoria. In the same year the Motor Car (Third Party Insurance) Act compelled every owner of a motor vehicle to insure against any liability for death or injury to others. Business under the Act was transacted from 22 January 1941, the year in which the State Motor Car Insurance Office was established. The State Accident and State Motor Car Insurance Offices are controlled by the Insurance Commissioner, and policies issued by both are guaranteed by the Government of Victoria. The number of Victorian motor vehicles covered by third party insurance has risen from 233,587 in 1941–42 to 1,390,980 in 1969–70.

Since the mid-1950s Victoria has witnessed many life offices branch out into general insurance either by arrangement with existing fire, marine, and general insurance companies, or by establishing their own organisations. Over this period the major international reinsurance firms and insurance brokers have also entered the Victorian market. The total number of firms doubled during the period 1949–50 to 1969–70, while premium income increased from $29m to $275m.

THE STOCK EXCHANGE OF MELBOURNE

The *Argus* of 15 October 1852 published what is apparently the first Melbourne stock and share list of fourteen companies under the name of Edward Khull, who was also a gold and bullion broker. Later in the decade this list was published under the authority of a group of brokers, reflecting the growth of a regular market as distinct from occasional sales. Company activity, largely in the public utility sector, expanded during this time, the trend being illustrated in 1856 by a press complaint at the lack of an organised market in stocks and shares.

However, gold mining featured most strongly in the 1850s, and when the rich shallow deposits had been worked out, mining developed the deep leads, which meant a demand for capital and the need for company legislation. Acts of 1855, 1857, 1858, and 1860 set up Mining Courts and provided the principle of limited liability, a necessary prelude to investor confidence. In 1859 there was a burst of mining speculation in companies operating at Bendigo, Ballarat, Chewton, and Maryborough.

The boom increased the number of sharebroking firms from less than a dozen to over twenty, and possibly thirty. A meeting was held on 12 October 1859 at Temple Court to " establish a daily official list of prices for buying and selling shares " and this was followed by attempts to form a stock exchange. However, the established and leading firms did not join, and the resulting Melbourne Brokers' Association was a body of newer entrants to the profession. It held regular meetings to conduct buying and selling operations, and also released market reports to the daily press. However, the dealings of the Association constituted only a small proportion of total sales of the market. After May 1860 it did not publish any further reports. At the same time, although the established firms did not succeed in forming a company, they did produce a Stock and Share Journal between July 1860 and April 1861. By the end of the year activity in gold mining shares had become very subdued and made the formation of a unified stock exchange more difficult as disagreements on practices in the market tended to be intensified. These included the question of whether a broker could sell his own shares to a client.

The next significant event occurred when, on 16 March 1865, it was reported that "the brokers of the Stock Exchange of Melbourne held their first meeting under the new rules at the Hall of Commerce". This was the Melbourne Stock Exchange which was to become The Stock Exchange of Melbourne in 1884.

A quartz gold mining boom developed during the 1860s, with discoveries at Stawell and Walhalla. The introduction of the "no liability" principle in the Act of 1871 was important for this, as it enabled shareholders to decline payment of further calls on shares held by them. Under these circumstances shares could be forfeited and the company could possibly re-issue them later if conditions again became favourable.

It appears that the Rules of 1878 established a link between the Melbourne Stock Exchange of 1865 and The Stock Exchange of Melbourne of 1884, providing a fundamental continuity in the organisation of a stock exchange in Melbourne for over one hundred years. A basic feature was the system of Call Room trading, which continued until 1962. Before 1884 the organisation of the Stock Exchange was rather informal in the sense that it was merely the largest centre for dealing in shares and its "official list" did not cover the extent of actual market activity. For instance, in 1874 there were two stock exchanges operating under the same name, unable to agree on the question of advertising by members. In 1881 the Victorian Stock Exchange was established after the Melbourne Stock Exchange raised its entry fee from ten to twenty guineas. Further bodies included the Australian Open Exchange Company, the Federal Stock Exchange Company Limited, and the Public Stock Exchange Company Limited.

The Stock Exchange of Melbourne arose out of a meeting held on 16 October 1884 at which ten persons were present. All had been members of the earlier Melbourne Stock Exchange which disbanded following a disagreement about the right of members to publish their sales in the press. The new Exchange gained further strength in November 1885 when the remaining twenty-three members of the Melbourne Stock Exchange transferred their membership. The other bodies were not serious competitors to the Exchange—in 1891 the Victorian Stock Exchange suffered reduced turnover, and in the same year the Australian Open Exchange Company was closed.

A notable feature in the 1870s was the growing importance of brokers in raising new funds, as evidenced by the introduction of brokerage rates on new securities in that decade. Loans were raised in Melbourne for the Governments of Queensland and New Zealand. During the 1880s the real expansion of underwriting in Melbourne took place. By then close relations had been established with British capital sources which later helped foster the land boom and the growth of urban transport. Although gold mining was declining and being replaced by the greater profitability of silver-lead mines at Broken Hill after 1885, gold was the basis which partly enabled Melbourne to become the centre of share trading in the various Broken Hill companies. This mining activity benefited the Stock Exchange, where share volume for 1888 was three times greater than for any previous year. The pressure of business grew until the following Easter, when an extended holiday was declared. The boom later receded, partly due to the re-appraisal of the outlook, and by July the volume of new share issues subsided, influenced by bank action. Land speculation was also limited in 1888 by a credit contraction and higher interest rates.

In December 1891 the first failures of the building societies occurred, followed in July 1892 by some land banks. Depositors suffered losses and this led to a loss of confidence by British investors and a reduction in capital inflow. In 1892 prices for wool, wheat, and silver fell, and the cumulative economic recession was accentuated by drought. During the financial crisis in January 1893 the Stock Exchange remained open, but the time for delivery of documents was extended from three to seven days. One indication of the trend is the number of Stock Exchange transactions : in 1886 these were 6,494 ; in 1888, 59,411 ; in 1890, 77,282 ; and in 1892, 36,400.

In 1887 the Stock Exchange began to erect new premises in Collins Street (it occupied them four years later) ; a large part of the capital was subscribed by the Stock Exchange through the Committee. The estimated cost was £185,000 including £120,000 for the site, but the eventual cost was £254,000 and reflected increasing costs during the land boom. Jobbers and the press were now admitted to the Great Hall of the new building ; the first paid Secretary and Reader had been appointed in 1888, and listing fees introduced in 1887, followed by listing requirements as the Exchange became established as a main market for securities in the early 1890s. Whereas earlier applications for listings were often handwritten letters, a form of agreement was introduced and later expanded to cover the reports required to be furnished by listed companies.

After the crisis of the early 1890s, share market activity remained below the level of 1888–1890. Industrial companies paid reduced dividends, many of them being overcapitalised, and investors' interest transferred to the Western Australian gold mines and the Mount Lyell copper group in Tasmania. In 1893 the Exchange bank account had to be transferred twice because of suspension of payment by the banks ; two years later a reasonable balance had been achieved between the Exchange's receipts and expenditure. The price of seats rose to £2,500 in 1891, and fell as low as £200 in 1894 ; by 1900 it had recovered to £1,000. The late 1890s brought further developments in underwriting : in 1899 two leading firms jointly underwrote a preference share issue for The Dunlop Pneumatic Tyre Co. Leading brokers have developed this function since then, latterly in competition with merchant banks.

In 1901, after the Commonwealth Government was established, the State's tariffs were replaced by a Commonwealth customs tariff which led to several share issues by manufacturing companies in succeeding years. Federation also prompted the first conference of Australian stock exchanges in 1903 at the invitation of The Stock Exchange of Melbourne. From 1906 the Exchange published its first *Monthly Official List* (later to become the *Official Record*), and seven years later, following another interstate conference in Melbourne, it amended its listing requirements.

At the outbreak of the First World War in 1914 the Australian Stock Exchanges closed for eight weeks. One of the immediate consequences of the war was the suspension of exports of silver–lead–zinc concentrates to German-controlled refineries. As a result of this, Broken Hill Associated Smelters Ltd and Electrolytic Zinc Co. of Australasia Ltd were formed in 1915 to develop local smelting and refining facilities, and The Broken Hill Proprietary Co. Ltd began to produce steel in the same year. These developments all needed capital as did the Commonwealth Government which raised its first war loan in 1915. In the following year the Committee of the Exchange decided not to appoint any further jobbers, and Wheat Certificates (issued by the Victorian Wheat Commission in parcels of 1,000 bushels) were first traded on the Exchange—a practice which continued until 1923. Another unusual type of security traded was the British Australian Wool Realisation Association Ltd (Bawra) Shares and Priority Certificates ; these were traded from 1921 until the liquidation of the company in 1932.

In 1925 the Stock Exchange occupied its new premises in 422 Little Collins Street. Since 1921 its publications had been expanded to include company balance sheets and profits in the *Monthly Official List*. Australia's first share price indexes were introduced in 1929, the year of the Wall Street stock market reverse. The effects of the world depression which followed were seen in the rise of Commonwealth Loan Yields to £6 9s per cent in 1930, the devaluation of Australian currency by 20 per cent in 1931, and the various measures of the Premiers' Plan. Between 1937 and 1939 other events of significance to the Stock Exchange took place : the Australian Associated Stock Exchanges were incorporated ; audit of brokers' accounts was introduced; stamp duty on share transfers (one quarter per cent) was also introduced; and brokerage rates were increased and made payable by both buyer and seller.

At the outbreak of the Second World War the Stock Exchange closed again, this time for only one and a half days. During the war, capital issues control was introduced but discontinued in 1954, and National Security (Economic Organisation) Regulations fixed share price ceilings (these were removed in 1947). After the war there were several changes in the internal organisation of the Stock Exchange : Saturday trading was discontinued in 1948, and three years later the exchange introduced the Odd Lots Department which was transferred to the Odd Lots Specialist in 1952. Four years later the Call Room was reconstructed and the Public Gallery and Second Call Room opened.

In the early 1950s discoveries of oil at Rough Range in Western Australia and uranium in Queensland created considerable interest in investment and the Exchange attempted to disseminate more information for the benefit of the public. The *Annual Report* of the Committee was first published in the *Official Record* in 1955, and in the following year the Exchange promulgated the first take-over code, followed by the inauguration of radio broadcasts direct from the Stock Exchange in 1958. Other means of providing information included lectures on the Stock Exchange and the small investor, launched in co-operation with the Council of Adult Education, the publication of Stock Exchange accounts in Australia for the first time in 1959, and expansion of the *Annual Report* to cover statistics of the *Official List*. In 1962 the Call Room was remodelled and post trading introduced. Advanced services introduced between 1958 and 1963 included the loose-leaf Stock Exchange Investment Service, the Transfer Marking and Document Noting Service, Telex facilities for interstate exchanges, and the Melbourne Share Price Index (base year 1960). The first Chart Book of the Melbourne Share Price Index was issued in 1965.

Government legislation which affected the activities of the Exchange in those years included the Companies Act, amended in 1958 to cover take-over offers, the Company (Public Borrowings) Act in 1963 following defaults of some companies in the early 1960s, and the Marketable Securities legislation in 1966 providing for a new transfer system as well as changes in stamp duty.

From 1965 onwards Australia witnessed some major mineral discoveries : natural gas and oil off the Victorian coast from 1965, nickel in Western Australia from 1966, and copper at Bougainville. These discoveries resulted in stock exchange activity in the later years of the decade which broke many records in volume and value of transactions, partly as a result of overseas capital inflow and partly due to increasing local investment interest. However, a reaction set in during 1970 and in 1971 both prices and volume of turnover declined.

In 1968 The Stock Exchange of Melbourne moved to a new twenty-six storey building in Collins Street, almost opposite the site it had occupied in 1891, and in 1970 was incorporated as The Stock Exchange of Melbourne Ltd, with total assets in 1971 exceeding $2.7m.

COMPANY LEGISLATION

The first Victorian legislation dealing generally with incorporated companies was passed in 1864, and was modelled quite closely on the English legislation of the time. In the century which followed, successive reforms of company law showed an increasing willingness to make bold experiments and to shape local law against the background of local problems.

As early as 1871 mining companies were allowed to be incorporated on a " no liability " system, which meant that shares could be forfeited at any time if a company's prospects appeared unattractive. In 1896 the same privilege was offered to trading companies ; apparently they saw no advantage in the system, and the privilege was withdrawn when the law concerning trading companies was consolidated in 1910. The *Companies Act* 1896 recognised the interest of the public in companies by requiring the companies to keep proper books of account, appoint auditors, and prepare and publish balance sheets. These obligations were evidently regarded as burdensome, because the Act exempted a class of smaller companies known as " proprietary " companies from these obligations. Similar relief was later offered to companies of the same kind in the other States and in England.

The early part of the twentieth century saw the appointment of a number of committees in England to consider reforms in company law. As a result of their recommendations, a number of significant changes was made in England in 1928. In Victoria, Sir Leo Cussen prepared a draft Bill revising company law in the light of the English reforms, and his draft formed the basis of the *Companies Act* 1938. In the same year, the Victorian Parliament passed an Act regulating strictly the affairs of investment companies.

The *Companies Act* 1958 consolidated the legislation concerning companies, and greatly shortened and improved the arrangement of the earlier legislation. Perhaps its most important contribution was to require public companies to file an approved prospectus before borrowing from the public and issuing debentures. About this time the business communities of the States and Territories of the Commonwealth began to press for uniform legislation in the fields of business law. The Standing Committee of Attorneys-General undertook the preparation of a uniform Companies Bill. Using the 1958 Victorian Act as a starting point, they introduced a number of new principles inspired by overseas studies and legislation, with the result that the Bill represented a fundamental re-examination of company law in the light of modern developments. The Uniform Bill was introduced in the Australian States and Territories during 1961 and 1962, and its success has been very largely responsible for later demands for uniformity in other fields of law.

Recent experience has shown that the passing of the uniform Acts has not hindered the making of further reforms. Amendments have already been made, the most important of which were those made in 1963 and shortly afterwards to control more strictly the borrowing of money from the public. In 1967 the Standing Committee of Attorneys-General appointed a Company Law Advisory Committee to inquire generally into the extent to which company law protected investors. The Advisory Committee has made several reports recommending important changes particularly in relation to the disclosure of substantial shareholdings, the making of take-over offers, and the preparation, auditing, and publication of company accounts. The States and Territories of the Commonwealth are now in the process of giving effect to the Committee's proposals.

TRUSTEE COMPANIES

The earliest recorded date in an English common law country of an executorship being committed to a trust institution is 21 June 1834 when an estate was committed to the administration of a South African trustee company. It was not until about forty years later that T. M. Stewart, Melbourne manager for the Bank of New Zealand, brought to Australia from South Africa the concept of corporate trusteeship. Shortly afterwards in 1878 the first trustee company in Australia was incorporated in Victoria. During the ten years which followed several other trustee companies were formed and seven now operate in Victoria.

In order to protect the beneficiaries of the estates they administered, special Acts of Parliament were passed for each company shortly after its formation to empower it to act as executor or administrator ; this was necessary to clarify the legal position concerning a grant of Probate or Letters of Administration to a corporation. To safeguard further the interests of all parties, the legislation limited the companies' powers to engage in activities outside their accepted fiduciary services, and required each company to lodge substantial security with the Treasurer of the State.

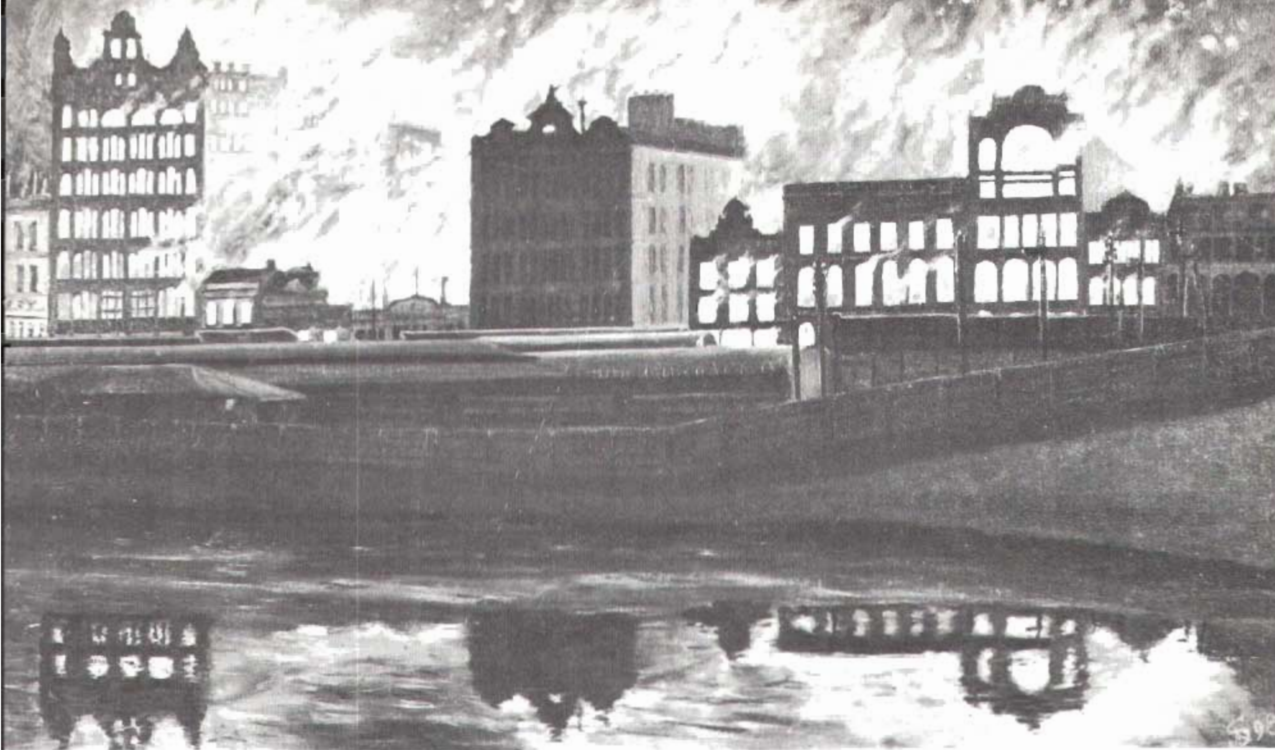
In 1928 Victoria consolidated the various Acts relating to trustee companies in the *Trustee Companies Act* 1928, thus bringing the activities of all statutory trustee companies operating within the State under one statute. At the beginning of 1971 there were still two States within the

Superfine Merino wool on pre-sale display at a Geelong wool showroom.
Elder Smith Goldsborough Mort Ltd

A Melbourne wool auction in the early 1870s.
La Trobe Collection, State Library of Victoria

Dealing in mining shares at "The Corner", Ballarat, in the early 1860s.
La Trobe Collection, State Library of Victoria

Brokers trading at the Stock Exchange of Melbourne in the 1960s.
La Trobe Studios



An artist's impression of the great fire which started near the corner of Flinders and Elizabeth Streets in Melbourne on 21 November 1897.

Wormald Brothers (Aust.) Pty Ltd

Customers queue to cash their "Christmas Club" savings accumulated during the year.

State Savings Bank of Victoria

Auction sales of nineteenth century items indicate an increasing sense of history among Victorians.

The Age

The Block Arcade, one of Melbourne's fine nineteenth century shopping arcades, still retains much of its earlier atmosphere.

Gordon De'Lisle

Commonwealth where each trustee company operating within those States was covered by its own private Act of Parliament.

The growing complexity of the law relating to trusts has produced a challenge ; the companies have met this by developing specialist skills within their organisations and establishing the Executor and Trustee Institute, which is unique to Australia and provides basic and advanced training in all facets of trust administration.

Fiduciary services offered by trustee companies have expanded in recent years and now include several activities. Among these, trustee companies can act as trustees for debenture and note issues, act as trustees for investors in unit trusts, and act as agent or attorney for persons or corporations ; they can manage investment portfolios and real estate for local or non-resident owners, supervise and keep books of account of rural businesses, act as income tax consultants, and administer superannuation and pension funds.

Since the early 1950s the growth in the value of the assets under the administration of Victorian trustee companies has exceeded anything experienced previously. During the 10 years to 30 June 1970 the value of assets under administration increased from $349m to $568m. In addition, the companies had been appointed to act as trustees for holders of debenture and note issues valued at more than $1,500m at 30 June 1970.

PASTORAL FINANCE COMPANIES

Pastoral finance companies provide predominantly short-term finance for primary producers, mainly woolgrowers, and supplement bank credit facilities as necessary from funds provided by share or debenture capital and reserves. The basis of the activities of these companies is the sale of wool and such connected financial operations as buying and selling clients' livestock, and the sale of rural properties.

Before 1850 the demand for finance for pastoral activities was very limited and borrowing was restricted. In the second half of the nineteenth century wool production grew strongly, leading to the formation of firms specialising in wool marketing. These firms became sources of external credit for woolgrowers as the demand for pastoral finance grew.

Initially general colonial agents arranged for the shipment of wool for sale in London on behalf of the Victorian growers. Over time, and as the importance of the Australian wool clip to British mills increased, the wool for sale on the London market was transmitted through the hands of special wool consignment agents. Strachan and Co. was one of the first to begin activities in Geelong in 1836. The businesses started by F. G. Dalgety in 1846 and Richard Goldsbrough in 1848 expanded rapidly during the decade of the 1850s. In Adelaide wool marketing and pastoral finance were expanding the business of Thomas Elder. The founder of Dennys, Lascelles Ltd, C. J. Dennys, began a wool broking business to handle western Victorian wools in 1857, and many other local wool broking enterprises were established in the following two decades.

Under the initiative of Richard Goldsbrough, local auction sales began to replace sales on the London market. Most growers sending their wool to these auctions asked for an advance against the clip in order to meet shearing and transport costs. In addition, many growers wanted credit to buy stock and properties, and turned to the local wool brokers for much of it. The wool brokers such as Dalgety, Mort, Goldsbrough, and William Sloane, together with some major incorporated (usually British) mortgage companies, in turn borrowed from the banks to finance their own operations.

After a three year slump in the period 1867 to 1870 the pastoral industry, through its demand for funds, came to exert a profound influence on the financial systems of Victoria, Australia, and the United Kingdom. A boom in wool followed peak wool prices in 1872, and at least for the remainder of the decade pastoral enterprise was lucrative. Rising property values attracted the interest of speculative operators who intensified the pressures on the real estate market, and, in the process of encouraging transactions in station properties, created conditions for a great increase in the demand for funds which flowed in abundance from Melbourne. In the boom years the rising flow of pastoral finance centred increasingly around the banks and the pastoral finance houses. The activities of these institutions were becoming more and more similar. The banks, from the end of the 1860s, had added direct consignment of wool to their functions of deposit banking, while non-banking companies had spread from wool broking and mortgage lending to the acceptance of deposits, the operation of current accounts, and the provision of overdraft and mortgage finance.

During the 1870s and 1880s limited liability companies using shareholders' funds from both local and overseas sources were reconstructed from a number of privately owned broking houses. For example, the Dalgety partnerships were incorporated in 1894 to form Dalgety and Co. Ltd. Incorporated broking and mortgage business was strengthened by the transfer, effective in 1874, of the operations of the New Zealand Loan and Mercantile Agency Co. Ltd to Australia, and later by the establishment of British registered finance companies, mainly as a result of large scale mergers and amalgamations within Australia.

British investment in the Victorian pastoral industry was very important in the 1830s and again in the 1870s. From 1874 the part played by British investment in Australian pastoral expansion became increasingly significant. British loans were raised by company debentures and British funds were deposited in Australian banks, normally for a fixed term of 3 or 5 years. Funds were poured into non-liquid propositions on the security of often highly risky and experimental undertakings, while at the same time rapidly rising commitments for fixed interest on relatively short-term British investment in Australia were accepted.

Throughout the 1850s and 1860s wool lien and stock mortgages were the basic forms of collateral for loans from the pastoral finance companies ; interest rates on loans were relatively high—between 9 and 12 per cent per annum. When the banks became direct lenders in the 1860s, station mortgages became the collateral for loans, and interest rates moved closer to normal overdraft rates. During the 1860s loans tended to be restricted to those who were actively expanding and improving their properties. But from 1874 Melbourne-based pastoral finance companies began financing with readily available funds the large scale expansion into the arid and less suitable grazing areas of Australia. Rising wool prices in 1884 increased the confidence of borrowers and lenders, companies began indulging increasingly in reckless lending policies, and, although wool income later tended to decline, British capital continued to flow in volume into the pastoral industry.

However, this inflow of British capital ceased in 1893 when Victoria faced a severe financial crisis, and the banks and pastoral finance companies became exposed to great financial pressure. Also, the effects of over-optimistic lending and non-liquidity were greatly aggravated by the growing physical problems of the industry itself. Financial depression, drought, a rabbit plague, and the long-term effects of prolonged overstocking caused livestock numbers to decline drastically between 1892 and 1902. Many pastoralists and agriculturists were ruined, and the pastoral finance houses, which had a large proportion of their funds advanced to primary producers, either suspended business or were forced to execute major reconstructions. In 1894 the Australian Estates and Mortgages Co. Ltd acquired the assets and liabilities of the Union Mortgage and Agency Co. of Australia Ltd. In the same year reconstruction of the New Zealand Loan and Mercantile Agency Co. Ltd took place. In 1896 Younghusband and Co. Ltd acquired the business of Messrs Chenery and Co. of Albury and Wodonga. In 1897 Strachan Bostock and Co. and Shannon, Murray and Co. amalgamated to form a proprietary company, and in 1910 F. A. Nuske established the Victorian Producers' Co-operative Co. Ltd.

During the 1890s and throughout the phase of financial reconstruction which lasted until the early 1920s, loans by pastoral finance companies scarcely rose at all. During the First World War their activities were concerned mainly with assisting Australian war production. In this period woolgrowers were able to repay their debts, and advances fell until the post-war boom in property values raised demand. The impetus given by the war brought prosperity to Victorian pastoral finance companies, and between 1924 and 1930 loans by the leading pastoral finance houses increased rapidly in response to the growing demand for credit to finance property transactions. To make the expansion possible they called on shareholders for new funds and utilised funds which had previously been idle. Paid-up capital of all Victorian pastoral finance companies rose spectacularly, and from 1924 to 1930 the industry was in a position to meet its investment programme without overseas funds.

In the 1931–32 season pastoral companies were severely affected by falling prices and by the inability of graziers to repay advances. After 1931 in the post-depression rehabilitation period, pastoral companies dealt leniently with clients who could not repay loans and, in many cases, interest. By 1936 improved world trading conditions, better seasons, and higher wool prices returned profits practically to pre-depression levels.

With the lifting of restrictions in 1947 after the Second World War, the period until 1955 was one of great prosperity for the wool industry in general, especially during the 1951–52 season when the prices of wool reached record levels because of the demand prompted by the Korean War.

In recent years pastoral companies have helped finance the substantial increases in stock numbers, and some have also, through financing of superphosphate, seed, and machinery, assisted in pasture improvement. Since 1958–59 the degree of concentration in the industry has been increased with the mergers of Dalgety and Co. Ltd with New Zealand Loan and Mercantile Agency Co. Ltd in 1961, and of Elder Smith and Co. Ltd (an

Adelaide company which commenced operations in Victoria in 1937) with Goldsbrough Mort and Co. Ltd in 1962 and Younghusband Ltd in 1971. These two firms now share the business in Victoria with four pastoral finance houses incorporated in this State, namely The Australian Estates Co. Ltd, Dennys Lascelles Ltd, Strachan and Co. Ltd, and the Victorian Producers' Co-operative Co. Ltd. By 1970 almost $350m was owing to pastoral finance companies in Victoria.

INSTALMENT CREDIT

Instalment credit, as now known, developed with the advent of mass production. The term " instalment credit " is here defined as relating to financing schemes in which repayment is made by regular predetermined instalments. The schemes covered include hire purchase, time payments, budget accounts, and personal loans relating primarily to the financing of retail sales of goods. Excluded are lay-by accounts and credit accounts which do not involve repayment by regular predetermined instalments, financing of sales of land and buildings, property improvements, and services such as repair work, travel facilities, and rental and leasing schemes. The term " retail sales " includes the sale of goods of all types to final buyers thus including, for example, plant, machinery, and tractors.

A particular form of instalment credit is hire purchase. A hire purchase agreement is not an agreement to sell but an agreement whereby the owner hires the goods to the hirer and gives the hirer an option to purchase the goods after having paid an agreed amount of the hire. A hire purchase agreement allows the hirer the use of the goods while paying for them and gives the owner security for payment because the goods remain his property until the agreed amount of hire has been paid, so that if the hirer defaults in his payments the owner can repossess the goods.

Hire purchase originated not later than the mid-nineteenth century in Great Britain and France. In Australia, it was begun in Melbourne in 1860 by Wilkie's (the forerunners of Allan and Co. Pty Ltd) in respect of the sale of pianos. In the 1920s the motor vehicle industry began to emerge in Australia and this provided a stimulus to consumer credit in financing sales.

The legal importance of hire purchase dates from 1895 when decisions given in English cases determined that :

1. A hire purchase agreement containing a provision that the property in the goods did not pass to the purchaser until payment in full was made, was not a Bill of Sale void for non-registration under the Bills of Sale Acts.
2. A hire purchase agreement did not constitute an agreement to buy under the Sale of Goods Act of 1893 because the purchaser had a right to terminate the hiring by returning the goods without incurring any further liability.

The need for legislative control first became apparent with the rule that, even though the hirer had made substantial payments he lost all his rights if he later defaulted, thus allowing the owner to repossess the goods, and that he was not necessarily or usually entitled to recover the money under common law. Other reasons which brought about this control included onerous terms in the contracts, such as the " minimum hiring clause " which required the hirer to pay a certain minimum amount or minimum proportion of the purchase price if he decided to exercise his option to terminate the agreement. In the depression years of the 1930s repossessions became frequent, and in 1936 protective legislation was introduced in Victoria and later in Queensland, South Australia, and Western Australia. The most comprehensive Act, however, was that of New South Wales in 1941.

After the Second World War there was a pent-up demand for consumer durables denied to the public in war-time, and conditions of near-full employment ; to curb inflation there were official controls over bank lending in the early post-war period. These conditions helped divert business to non-bank financial intermediaries.

To overcome discrepancies between the hire purchase legislation of the States, conferences were held between the Commonwealth and the States. This gave rise to legislation introduced in 1959 and 1960 which achieved a considerable degree of uniformity.

The statutes are designed to ensure that the precise nature of the commitments is brought to the attention of the hirer, to give the hirer the full and free right to terminate the hiring if he desires without being obliged to make a further final payment as a condition of such a right, to regulate the owner's right to repossess, and to give the hirer the protection of adequate warranties and conditions of fitness of the goods. In Victoria, the legislation was the *Hire Purchase Act* 1959.

In statistics of instalment credit for retail sales, hire purchase is identified separately and all other types of agreements are included as " other instalment credit ". In Victoria there has been a marked decline in the relative importance of hire purchase and in 1968–69 less than 50 per cent of the total amount financed (excluding interest, hiring charges, insurance, etc.) was accounted for by this type of agreement. In 1958–59 the total amount financed was $214.0m of which hire purchase accounted for $182.0m. In 1968–69 the total amount financed increased to $306.3m of which hire purchase accounted for $121.9m.

Examination of amounts financed for the three categories of goods—motor vehicles, plant and machinery, and household and personal goods—reveals that the substitution of other types of agreements for hire purchase has occurred mainly in connection with the purchase of motor vehicles. During the same ten year period amounts financed for motor vehicles under hire purchase declined from $101.0m to $59.5m, while advances under other instalment credit increased from $1.2m to $129.4m. Of some significance is the fact that motor vehicles being purchased under hire purchase attracted substantially higher premiums for comprehensive insurance cover.

During this period stamp duty also had a different impact on the various types of agreements. The *Stamps Act* 1958 contains provisions relating to instalment purchase agreements (which were then mainly hire purchase) imposing a duty of 2 per cent of the " purchase price ", defined in the Act to be, in effect, the amount financed. Duty is payable on all agreements, except where the " purchase price " is less than $20 and, in addition, the credit grantor is prohibited from passing on the duty to the hirer–purchaser. Excluded from these provisions are most " other instalment credit " agreements, in particular chattel mortgage, a type of agreement under the *Moneylenders Act* 1958 which provides the credit grantor security over the goods being purchased by way of the right to sell them should default occur.

Stamp duty on " other instalment credit " agreements became more significant under the *Stamps Act* 1966 which relates mainly to credit and rental agreements other than housing loans, and imposes a duty of 1½ per cent of the amount advanced when this exceeds $200 and the rate of interest is over 10 per cent per annum. Short-term loans are subject to duty at the rate of ⅛ of one per cent per month. If repayment of loans, other than short-term, occurs within 10 months of the making of the loan, a rebate of duty is applied at the rate of ⅛ per cent for each complete month between repayment and the expiration of twelve months from the making of the loan. When these provisions became effective early in 1967 the rate of duty on instalment purchase agreements was reduced to 1½ per cent. However, there was no provision made for rebates of duty when repayment occurs within 12 months, nor for enabling the credit grantor to pass on the duty to the hirer–purchaser as may be done with other instalment credit agreements.

In Victoria the total amount financed by all forms of instalment credit has increased steadily each year, except during one period of restricted credit in the early 1960s when there was a decline in the total amount financed. In 1959–60 the total amount financed was $252.5m ; in 1960–61 $221.6m ; in 1961–62 $194.5m ; and in 1962–63 $222.6m. The decrease was due to a curtailment in the amount financed under hire purchase from $212.5m in 1959–60 to $174.5m in 1960–61 and to $148.5m in 1961–62. Other instalment credit expanded from $40.0m in 1959–60 to $46.0m in 1961–62. By 1968–69 the total amount financed had increased to $306.4m and at the end of that year $418.4m was owed by borrowers.

The effects of the growth of instalment credit have been substantial. By adding to the buying power of consumers, both the level and the structure of consumer demand has been affected. This demand has also increased because of other factors : the trend to " asset ownership " by households in Australia since the Second World War; technical improvements in producing new forms of household goods; a rising level of average real income; and advertising. The main stimuli to the growth of instalment credit since the 1940s have been a belief in security of employment, and income available after satisfying basic needs; a high rate of home building which has stimulated a demand for household goods ; the increasing range of durable household goods ; and the social prestige of " asset ownership ". Finally, an important consideration is that in times of inflation repayment of fixed debts becomes easier.

Instalment credit is available for the purchase of plant and machinery for productive use, as well as for consumer goods ; also an unknown proportion of the category " motor vehicles " would be used for business purposes. If the interest rate charged for the provision of credit is below the expected profit rate from the productive equipment then it will pay a producer to borrow, whilst for many new and small firms and farmers the access to sources of capital funds may be limited.

In addition to instalment credit, private lending institutions provide a range of other financial services to businesses and consumers, including commercial and personal loans, wholesale finance, and factoring. Recently the provision of finance by means of lease agreements has also become prominent.

On all these types of agreements, balances outstanding to finance companies (as defined for statistical purposes) in Victoria were $457.7m at 30 June 1970, compared with instalment credit outstandings of $393.6m.

HOUSING FINANCE

Victoria's housing industry has always depended on the availability of finance, one of the main determinants of the level of building activity. After the granting of some security of land tenure in 1847 and the gold rushes of 1851, the demand for houses and housing finance was stimulated. The gold discoveries initially drained the building industry of its labour force and caused a virtual cessation of building activity, but led later to an increased demand for accommodation and the availability of labour to satisfy it.

Until the 1850s housing finance was scarce and expensive, with banks and private mortgagees the main lenders. During the 1840s friendly societies and building societies were established; at least one existed in the Port Phillip District before 1846. The Melbourne Benefit Building Society and the Victoria Benefit and Land Building Society date back to 1848. By 1866 there were twenty-six building societies in Victoria with 8,600 shareholders and assets of £650,000. During the second half of the nineteenth century when Melbourne grew from a settlement to a sizeable city, building societies expanded rapidly. Terminating building societies of a fixed life (26 to 31 years) with limited membership, monthly share subscriptions, and receiving their funds largely from banks and life offices, were the predominant source of society lending up to the 1870s. However, after the 1870s permanent societies became relatively more important in the building society movement.

Permanent building societies, formed to secure " permanent " capital by share subscription, bank overdrafts, and deposits from the public, were generally willing to lend greater amounts than terminating societies, although at higher interest rates. They expanded rapidly during the late 1870s and the 1880s; this was encouraged by the Victorian Building Societies Act of 1874 which permitted registered societies to deal in freehold land and property if sanctioned by a resolution of members.

The rapid expansion of the building society movement was checked during the financial crisis of the 1890s. The building industry stagnated; building societies actually declined in importance, and banks once more became the main lenders for housing. Although the land boom of the 1880s was largely financed by building societies (new advances between 1874 and 1890 ran at about two thirds of the level of the new residential investment throughout most of these years), bank lending for houses also grew. Land, building, and investment companies, and mortgage banks increased in importance in the 1880s, but even at the peak of the boom in 1888 their aggregate assets were only about half of those of the building societies.

The Savings Bank of Port Phillip (now the State Savings Bank of Victoria) concentrated on short-term mortgage loans from the commencement of operations in 1842 until the 1890s and did not play a major role in the housing boom of the 1880s. However, in 1896 this bank introduced " credit foncier loans ", i.e., loans of long duration (as much as 30 years) at low rates of interest. Originally designed to aid farmers in re-negotiating short term mortgage loans in periods of " tight money ", credit foncier loans were extended to housing in 1910.

At the beginning of this century there was a shortage of houses as well as low housing standards; this encouraged governments to enter the field of housing finance. In 1918 the Commonwealth Government supplemented State home finance agencies by establishing the War Service Homes Commission to help provide homes for ex-servicemen and their dependants. The Commission was empowered to build houses for sale on easy terms and to make available long-term loans at relatively low rates of interest for the erection of houses, the purchase of existing homes, and the discharge of mortgages. In Victoria, legislation was enacted in 1920 to permit the State Savings Bank of Victoria to make housing loans " on generous terms " to people whose income did not exceed the equivalent of £400 per annum. Throughout the 1920s the State Savings Bank maintained a high rate of lending for housing, and balances of loans outstanding increased sixfold in the decade ending 1929.

The depression of the 1930s adversely affected the housing industry. Following an official inquiry in 1936 into housing conditions in Victoria, the Housing Commission was established in 1938 to be the central governmental authority for housing in Victoria. At that stage the Commission did not have authority to embark on housing schemes. The *Slum Reclamation and Housing Act* 1938 established it as a slum reclamation authority; its authority to build houses for rental or sale came later.

During the Second World War building of new houses virtually ceased. The Commonwealth Government agreed to share the responsibility of the anticipated post-war housing demand and since 1945 has entered into a series of housing agreements with the States; it makes loan funds available to the States for the construction of dwellings primarily for families of moderate means. The agreement between the Commonwealth and State Governments in 1956 set the pattern for subsequent agreements every five years. Under these agreements at least 30 per cent of the funds provided by the Commonwealth are used to finance loans for persons wishing to build or purchase houses privately through building societies or other approved institutions. The remainder is used for State housing. The Victorian Government established the Home Finance Trust in 1956, authorising it to receive money on deposit for the purpose of making housing loans to deserving persons on the security of a first mortgage.

In the decade following the 1956 Agreement the number of registered co-operative terminating building societies more than trebled. More recently, the co-operative societies have languished as providers of housing finance, whereas the permanent building societies, which have been able to offer higher interest rates for funds, have increased in popularity and their lending for housing has grown rapidly. Of significance also have been trading banks, insurance and other finance companies (including mortgage management companies), company housing schemes, pension funds, and individual lenders; however, the largest share of housing finance has come from the savings banks, with the State Savings Bank of Victoria the dominant lender in this State. Savings bank lending for housing is determined for the Commonwealth Savings Bank and the so-called " private " savings banks by the provisions of the Banking Act. Under the Act savings banks could lend virtually up to a maximum of 35 per cent of their deposits in

Australia for housing. This was raised to 40 per cent late in 1970. The Act does not apply to the State Savings Bank of Victoria but that bank generally observes similar patterns of lending with, if anything, a higher ratio of housing loans than for the other banks.

An interesting development in recent years has been the formation of insurance facilities for real estate mortgages. The Housing Loans Insurance Corporation (a Commonwealth instrumentality) was established in 1965. The Mortgage Guarantee Insurance Corporation of Australia Ltd, a private organisation, was also formed in the same year. Both insure lenders against the risk of loss in making loans to home purchasers, thus encouraging lenders to make high ratio loans. In the event of default by the borrower, these organisations make good to the lender any loss or expenses incurred.

CO-OPERATIVE ORGANISATIONS

Co-operative organisations operating in Victoria are registered under the provisions of the Industrial and Provident Societies Act, the Companies Act, the Co-operation Act, and the Co-operative Housing Societies Act. They are engaged in a number of activities chief among which are the production, marketing, and distribution of goods, and in the provision of finance for home building. Since the passing of the Co-operation Act in 1954 a considerable number of co-operative credit societies has also been registered, and by 30 June 1970 there were 172 such societies with assets valued at $15m. This same Act also provides for the registration of community advancement and community settlement societies.

Historically, producer societies and co-operative housing societies have been the more significant types. For statistical purposes, producer co-operatives have been defined as those societies which are engaged in the manufacture and/or marketing of their goods and which substantially fulfil certain conditions relating to dividends, ownership, voting powers, and the conduct of business.

The first producer society in Victoria was the Ballarat Boot Manufacturing Industry Society Ltd, registered in 1878 under the *Industrial and Provident Societies Act* 1873. The oldest active society registered under this Act is the North-Eastern Co-operative Society Ltd of Wangaratta which was originally registered in 1906. With the introduction of the

VICTORIA—PRODUCER CO-OPERATIVES

Year	Number of societies	Number of members	Total income	Total assets
			$'000	$'000
1926–27	62	48,568	16,259	5,856
1932–33	63	38,959	11,608	5,213
1936–37	59	37,720	8,532	5,790
1940–41	57	36,189	9,396	5,441
1945–46	52	43,245	10,785	6,033
1950–51	60	38,774	23,925	11,476
1955–56	53	34,763	38,854	19,480
1960–61	68	46,552	52,924	30,256
1965–66	102	66,468	89,564	51,115
1969–70	92	83,392	87,853	71,750

Co-operation Act 1954, registration of co-operatives under the Industrial and Provident Societies Act has declined. The data shown, which encompasses registrations under all of the earlier mentioned Acts, provides an assessment of the growth of producer co-operatives in Victoria.

Between 1926–27 and 1960–61 there was little variation in the number of registered societies, but noticeable growth in their total income, and assets in particular. Between 1960–61 and 1969–70, total income further increased by 66.0 per cent and total assets by 137.1 per cent, while the number of members increased by 36,840 to 83,392. The growth of producer co-operatives in Victoria from 1926–27 to 1960–61 has therefore been characterised by strong increases in total income and assets, and since 1960–61 also in increases in the number of societies and members.

FRIENDLY SOCIETIES

At the time of the first settlement in Victoria, friendly societies in Great Britain had been providing valuable social insurance benefits for many years. It was not surprising that offshoots of these old established Orders were very soon formed in Victoria, but it was not until after the passing of the 1855 Act that any steps were taken for their registration as legally recognised institutions. This Act, entitled " An Act to consolidate and amend the Laws relating to friendly societies ", received assent on 12 June 1855 and provided for the appointment of a certifying barrister who would confirm that the rules of the society were in accordance with the law before registration could be effected by the Registrar. The Act also provided that prior to registration the table of contributions had to be certified by an actuary of an assurance company or other person appointed by the Registrar.

The Government gave no further attention to friendly societies until 1875, when a Royal Commission was appointed to inquire into " the working of the Friendly Societies Statute, the position and operations of the societies registered under it and what amendment, if any, is desirable in the existing law ". The outcome of this Commission was the *Friendly Societies Act* 1877 ; this provided for the appointment of a fully qualified barrister as registrar in lieu of a registrar and a certifying barrister, for the submission of returns annually to the Government Statist, and for a periodic valuation of the assets and liabilities of societies at least once in every five years. The passing of this Act resulted in an increased measure of control by the Government over the operation of friendly societies. In accordance with these provisions, an actuary was appointed under the Government Statist in 1881 to carry out the periodical valuations of societies, but gave him no power to enforce payment of adequate rates of contribution to enable a society to meet its liabilities. He could only give advice about the best means to be adopted to achieve that end.

It was not until 1907 that registration was made compulsory and societies were required to adopt adequate rates of contribution for existing members as well as new members. An Act of that year embodied these provisions, the penalty for failure to adopt adequate rates of contribution being cancellation of registration. However, the operation of this Act, in so far as it related to the scale of contributions payable, was limited to a period of eighteen months ; this was a serious defect, as contributions which prove sufficient at any one time may later become inadequate because of fluctuations in interest, sickness or mortality rates, or faulty management. To remedy this defect another Act was passed in 1911, which required societies to adopt adequate rates whenever called upon to do so by the Government Statist.

By the end of that year, despite a significant fall in membership during the depression years of 1892 to 1895, friendly societies were firmly established in Victoria. There were then forty-eight societies registered with a membership of 148,603 and funds totalling over £2.25m. The type of benefit developed over the years was proving very valuable to all sections of the community. Although other forms of benefits have been added periodically over subsequent years the basic benefits provided by the societies at the beginning of the century remained almost unchanged for over fifty years. These included sickness benefit, funeral benefit, medical services, and medicine at a greatly reduced dispensing fee. As well as providing these monetary benefits, all lodges had regular social gatherings, together with various sporting activities and debating competitions between the various lodges in the district. These activities were very popular and provided further means of attracting members to the movement.

The first reverse in the progress of societies occurred during the First World War when the membership fell from 159,741 in 1914 to 149,558 in 1918, the latter figure being only 955 more than for 1911. This decrease was mainly due to a dispute between the British Medical Association and the societies which led to the resignation of nearly all medical officers as from 1 February 1918. The war also had an adverse effect on the membership because of the high mortality rate amongst servicemen and the generally unsettled condition of the State. In addition, heavy financial losses resulted from amounts paid out to members in the services for sickness and funeral benefits. These losses would have been far greater but for the re-insurance scheme introduced by an amendment of the Friendly Societies Act in 1915, which gave societies the power to reinsure with the Government or with an approved assurance company for liabilities which might be incurred due to the war.

The immediate post-war period showed a continued decline in membership due mainly to the general effects of the war and the large number of deaths of members during the influenza epidemic of 1919, and it was not until 1921 that a recovery was evident. This recovery continued until the depression, the effects of which became apparent after 1929. Membership began to decline in 1930–31, but the funds continued to rise, due mainly to the high interest earnings of investments. At the end of the same year funds amounted to £5.3m and represented over £32 10s per member. In the period after the depression, the growth of societies was the greatest in their history. It was during this period that the major societies established hospital benefit funds to provide for payments towards the hospital costs of members and their dependants. Despite the Second World War both membership and funds continued to increase. Under the *Friendly Societies (War Service) Act* 1939 the contributions of members on war service were temporarily suspended and the benefits payable for the member were restricted to £20 on the death of the member and £10 for his wife. No sick pay was payable during that period.

In the period immediately following the war the economic situation improved rapidly. Amid conditions of full employment fringe benefits offered by employers increased significantly and it became common practice for an employer to provide a superannuation scheme which included payments in the event of death prior to the retiring age ; liberal sick leave benefits were also provided. This meant that the basic friendly society benefits, namely, sickness and funeral benefits, which had proved such value to members previously, were not as attractive, and membership began to fall. On 31 August 1951 the " Contract System " agreement with the doctors, under which a member received complete general practitioner service for himself and family for a fixed annual contribution, was terminated, and members were required to pay the normal consultation fee for each service provided by the doctor. As a result it was necessary for societies to establish funds to provide a rebate to members on fees paid for medical services. This scheme, associated with the hospital benefit scheme introduced earlier, was the basis for the present voluntary health insurance scheme under the National Health Act, and marked the beginning of a new era for the friendly society movement. In addition to all the benefits associated with the National Health Scheme, the larger friendly societies now provide most forms of life assurance benefits including sickness and superannuation schemes for employee groups.

6

WHOLESALE AND RETAIL TRADE

The history of retail and wholesale trade in Victoria is closely associated with the history of Melbourne because most of the population, and therefore its trade, has always been centred on the capital city. Other cities of major consequence in Victorian trading history are Geelong, Ballarat, and Bendigo, and they, in general, underwent changes similar to those which occurred in Melbourne.

At the end of 1836 most of the population of the Port Phillip District lived near the market square which was later to become the Western Market. Storekeepers began to set up their shingles. On 1 January 1838 Fawkner's *Melbourne Advertiser* was first published and it is through this paper and succeeding publications that much knowledge of the early traders is to be learned. In addition to foodstores there was a hairdresser, a brewer, and an importer of musical instruments; among their goods a few tons of the best potatoes were offered at the moderate charge of 9s 6d per cwt, and oats sold at 6s per bushel. The advertisements also featured quite a wide variety of consumer goods which would have been needed in a young settlement. Among these goods were baby linen, children's clothing, millinery, and dresses made to measure. It is interesting to note that many of the advertisements were directed to the needs of women, although men predominated in numbers at this time. These establishments were followed by harness makers, confectioners, and a registry office for servants. In 1839 there was the opening of an " Australian " store which sold groceries, ironmongery, tobacco, ready made clothes, and coffee. This made it possibly Melbourne's first general store and an elementary fore-runner of the modern emporium. By 1840 Melbourne was a thriving community with a surprisingly wide range of craftsmen and stores.

Although Melbourne had been created a township in April 1837, it did not possess an established market of the popular European type until the end of 1841. Following the appointment of Market Commissioners in December 1841, the Western Market began business as a principal place for the sale of fruit, vegetables, fish, butchers' meat, and poultry ; a cattle market had also been established in that year. However, in a short time the Western Market became a collection of hovels and in 1849 was reorganised. In 1855 the new shops were burnt down, and, although a year later a more ambitious building was erected, the market lost favour with growers. Another task of the Market Commissioners was to establish a hay and corn market, which they did in Bourke Street in February 1842. This was only temporary and the market was moved to its originally intended site on the corner of Flinders and Swanston Streets; in 1847 it was moved back to Bourke Street. In addition to the original hay and corn all kinds of goods were now sold, but the market degenerated into a row of shanties which were also destroyed by fire in 1855. The site was taken over by cart and wheel-barrow vendors and that year became known as the Eastern Market. Market gardeners traded their produce in the morning and farmers sold hay in the afternoon while, on Saturday nights, it became a public forum, popularly known as "Paddy's Market".

The hay market was transferred to a new site in 1874. Three years later the market gardeners moved to the Queen Victoria Market, which had been opened to accommodate wholesalers while the Eastern Market was being rebuilt—work on which commenced in 1877. The Eastern Market was re-opened in May 1880 but, as was the case with the Western Market earlier, it failed to revive and gave way to the Queen Victoria Market. Nevertheless, it continued to be an amusement centre and general market, until rivalled by newer amusement arcades and more attractive shops and the opening of picture theatres in the 1920s. Meanwhile the Queen Victoria Market, officially opened in March 1878, was extended in 1922 over the site of Melbourne's first cemetery and continued to be the chief wholesale market in Melbourne, until a wholesale fruit and vegetable market complex in Footscray Road, West Melbourne, was begun in 1968. The new market extended over 7 acres under one roof.

Geelong, like Melbourne, also witnessed a rapid growth in its earliest years. After 1839 the announcement of new stores, shops, or smithies was a weekly occurrence. Some of the new owners failed through lack of proper preparation or financial backing, but others succeeded during a time of rivalry for public patronage. This was especially so in foodstuffs supplied by the city's bakers, grocers, butchers, and confectioners in Corio Street and its close neighbourhood. Later, business moved to other areas of the town.

Until 1851 Melbourne was the principal town of what was then basically a large pastoral and agricultural district. However, the discovery of gold changed its character and brought many immigrants with a corresponding increase in trade. Whole streets were full of shops selling implements needed by the diggers, and British consignors were sometimes reckless in shipping goods to Melbourne. In 1853, for example, so much was imported that British manufacturers were unable to sell their goods at a profit in Melbourne and a severe depreciation in the value of goods resulted which seriously damaged both wholesale and retail business. At this early stage nearly all the business misfortunes were brought about by an excessive inflow of imports.

When gold was first discovered near Ballarat in August 1851, followed by discoveries at Bendigo in the following November, both towns, as well as others which grew on the goldfields, catered principally for the diggers. Trade flourished even though the cost of transporting goods from the nearest Victorian port to the goldfields was higher than the cost of bringing them by ship from Britain. However, with the decline in alluvial gold mining in the 1870s, wholesale and retail trade in the Ballarat and Bendigo districts gradually became geared both to the needs of the work force in secondary industry which became permanently established in these cities and to that employed in the surrounding agricultural districts.

Between 1851 and 1861 many firms were established in Victoria, among them a number of retailers, of which Buckley and Nunn, which was established in Bourke Street in 1851, is the oldest to survive. Nearby, at the corner of Swanston and Bourke Streets, the Leviathan had its beginning in 1852. Mark Foy, who had worked for Buckley and Nunn, went to Bendigo to establish a store on the goldfields, and in 1883 his son entered into a partnership to form Foy and Gibson. Another firm, Ball and Welch, was founded in Vaughan, then a gold mining town, in 1855, but the firm moved to nearby Castlemaine some years later and in 1899 opened its first Melbourne store in Flinders Street, although it had operated a store in Carlton for some years before this time.

The rush of the 1850s was followed by a steadier period in the 1860s. In Melbourne the shopping area of the city was now largely occupied by small scale retailers and a great deal of trade was still transacted directly between the craftsman and the buyer. Collins Street had already come to be regarded as the most fashionable street, where the leading drapers, jewellers, and music and book sellers were located, and shops then remained open until 9 p.m. every night and until midnight on Saturdays. Ladies attired in their latest crinolines would gather to gossip, or to be seen " doing the Block ". The Stock Exchange, the trading banks, and the insurance companies were nearer Queen Street, and Elizabeth Street was noted for its cafés. Swanston Street was also one of the main shopping centres, and Flinders Street and Flinders Lane, because of their nearness to the Yarra wharves, were already becoming the main district for warehouse proprietors. Two of the earliest " bonded stores " to be established were in Market Street and Flinders Lane, respectively.

During 1865 Melbourne's first fish market was being erected ; previously no centre for selling fish had existed, and they had been hawked in the streets or at general markets. For a number of years the demand for fish had far exceeded the supply: prices sometimes reached 2s 6d per lb for flounder, and 9s and 10s per dozen for whiting. In 1892 the fish market was transferred to a site in Spencer Street.

Most of the suburbs which later became populous were then only small independent townships, such as Prahran and Windsor. At the end of April 1864 agitation commenced to establish a market at Prahran as the Melbourne City Corporation had refused to reduce what the market gardeners regarded as exorbitant rates for selling their produce in the Eastern Market. The Prahran Council sought to establish a market, but apparently because of costs the project was abandoned, and about this time an unsuccessful attempt was also made to establish a market at Fitzroy. However, a market was operating in South Melbourne. The idea to build a market at Prahran was revived in 1867, and a market of sorts was established in the following year, the places for stalls being roughly indicated. This make-shift method continued until 1891 when proper accommodation was provided.

By the 1870s Melbourne was beginning to establish its first important industries as a result of the policy of protection adopted by the Victorian Parliament in 1866, and the first sale from the woollen mills at Geelong in 1868 caused great interest and realised high prices. Importers, accustomed to buying in the cheapest market and selling in the dearest, were distressed, but local manufacturers were delighted. The strong growth in trade was reflected in the Census of 1881 which showed that the commercial class—those who bought, sold, carried, and stored goods, and conveyed messages—grew from 27,079 persons in 1871 to 35,184 in 1881, an increase of 30 per cent.

The 1880s were a period of great optimism, and, after the decline in gold mining in the 1870s, foreign capital was invested in other ventures. Huge blocks of offices, financial institutions, coffee palaces, and large buildings completely transformed the city. The block on the southern side of Bourke Street, between Queen and Elizabeth Streets, had become the equine centre of the city, boasting seventeen saddlers' shops. Situated in the block opposite, in Bourke Street, was Kirk's Horse Bazaar, established in 1842, where hundreds of horses were auctioned weekly.

The original townships surrounding Melbourne gradually merged as the city spread out, and the suburbs lost much of their individual character. However, a new focus for suburban life was supplied with the growth of shopping centres, including Chapel Street, Prahran, and Smith Street, Collingwood, while attractions such as Foys Fair, launched soon after Foys were first established in Melbourne, and Paddy's Market in Smith Street became very popular. The rise of city land values gave suburban retailers a price advantage which further attracted bargain hunters.

As the chief port of the Colony, most trade and commerce continued to be centred on Melbourne, but during the 1880s active trading conditions degenerated into wild speculation. The land boom of the 1880s, stimulated by large quantities of overseas capital, affected other saleable assets, and merchants bought on the expectation of a rise in prices. The boom reached its peak in 1890, and was followed by the financial crisis of 1893; retail and wholesale trade suffered as a result of the financial instability. To add to trading difficulties, the population declined for some years through emigration.

The Craig Williamson store in Melbourne was burnt down in 1897 in a fire which destroyed most of the block bounded by Elizabeth, Flinders, and Swanston Streets, and Flinders Lane.

At the turn of the century Victoria's financial stability appeared to revive and the population began to increase. It was at this time that one of the State's best known firms was founded. Sidney Myer, who had established a store in Bendigo in 1900, bought the Craig Williamson store there eight years later. After selling his original Bendigo business, he opened stores at Geelong and Ballarat and began a new phase in the concept of Victorian retailing when he moved to Bourke Street in 1911, where his sales methods, backed by large-scale newspaper advertising, brought startling results. Another important event during the decade was the passing of the *Factories and Shops Act* 1907, which changed the official closing hours of metropolitan shops from 10 p.m. on Saturday to 1 p.m., thereby granting a half holiday, but also provided for shops to remain open until 10 p.m. on Friday night, instead of 7 p.m.

In this period retailers began to build and buy factories to produce goods for their own marketing purposes. A year after establishing their bulk store in Collingwood in 1896, Foy and Gibson established their own factories to manufacture socks, clothing, furniture, and head wear, and established a

London buying office. Retailers found that there were advantages in by-passing wholesale importers, as buying direct from London meant that they could keep up with the latest trends and were not bound to purchase what the merchant wanted to sell.

In 1914 an event occurred which was to affect both Victorian and Australian retailing. G. J. Coles and Co. Ltd, as it came to be known in later years, opened the first 3d, 6d, and 1s store in Australia. The store operated on a ceiling price level for all goods purchased in the shop, and this type of retailing became so popular that by 1932 a chain of twenty-nine Coles stores had been opened throughout Australia. The " chain store " was not entirely new to Victorian retailing as Arthur Adamsons Pty Ltd had been founded in 1860, and another, Permewans Food Stores Pty Ltd, three years later. One interesting acquisition of G. J. Coles and Co. Ltd was the purchase of Cole's Book Arcade, the well known bookshop of Mr E. W. Cole, in Bourke Street, who in 1883 had set up his sign of the rainbow, which had attracted many children to his famous arcade.

By the early 1920s the centre of activity in retailing in Melbourne had come to be located in Bourke Street, where the Myer Emporium had become an important attraction. A marked change in the city's shopping pattern occurred in 1916 possibly as a result of a new type of newspaper advertisement—the introduction of " star bargains ". They were offered on Mondays, a time traditionally dull for business. The importance of advertising in retail trade was growing steadily.

A new impetus in retailing also resulted from a change in customer tastes and buying habits and in the increasing variety and volume of goods available and demanded. A wider range of domestic appliances—both electrical and non-electrical—made retailers aware of the possibility of sales through newspaper advertising and window displays. Although newspaper advertising had been used previously, its range, style, and format changed towards recognisably modern layouts.

During the early 1930s wholesale and retail trade suffered from poor custom, and sales fell to the levels of those experienced a decade earlier, or even lower. There were, however, some retailers who were reasonably successful during these years, notably the chain stores with their lower prices. The chain store grew out of a need to increase the turnover of goods in order to utilise less capital in inventories. In addition, the chain stores' amalgamated orders were, in total, larger than those of the wholesale warehouses, and these stores approached manufacturers for similar concessions. Eventually the chain stores commissioned manufacturers for particular products. This was quite a change from the early days of the Colony when the wholesalers provided the goods and the storekeeper distributed these goods throughout the agricultural districts from a central warehouse. Because farmers received a seasonal income the wholesalers had to finance the storekeepers while they awaited payment. Later, banks provided funds for financing these operations. However, the aggregation of large groups in retail distribution lessened the importance of the " middle man " and the " wholesale " function, and consequently many famous names disappeared from Flinders Lane. The chain stores spread into the towns throughout Victoria, where many of the previously settled retailers were unprepared or unable to meet this new type of competition. After the depression, the years of the Second World War were again difficult for retailers and wholesalers, this time because they suffered from both severe shortages of most goods and great uncertainty with deliveries.

By the 1940s the motor car had become established as a very common mode of private transport. Entry to the city shopping centre was becoming more difficult because of traffic congestion and some even predicted the eventual abandonment of the city centre for shopping and its transfer to suburban areas. To meet this possibility, large department stores moved into suburban shopping areas, which usually provided adequate room for parking. It was during the late 1940s and early 1950s that the supermarket, or self-service store, began to spread throughout the State. During the later 1950s the new type of discount house appeared to challenge Victorian retailers. Discount selling was not new to Victorian trading, as many stores already had a long history of allowing a discount for cash ; however, these newer stores set prices for many goods, such as electrical appliances, well below those of other retailers.

Apart from store expansion, further activity was taking place in warehousing, and in January 1956 G. J. Coles and Co. Ltd opened their new warehouse at Fishermens Bend. This distribution centre, occupying an area of some four acres, introduced quite novel methods into materials handling, with a system using an endless underground electric conveyor for movement of goods.

The great increase in motor cars had overtaxed the parking facilities of some of the older suburban shopping areas ; this, together with a lack of customer amenities, hampered expansion and led to specially planned shopping centres. The first such centre in Victoria, built in 1957 at Heidelberg, was a " community centre ", which, in addition to convenience goods and services, provided for the sale of softgoods, general hardware and appliances. This type of centre was built around a variety supermarket or junior department store. The second type of centre built in Victoria was the " neighbourhood centre ", the first of which was opened at Mentone in 1958. This was built around a supermarket, and usually had about ten to fifteen stores, providing mostly for the sale of convenience goods and personal services. The third type of centre, and by far the largest, was the " regional shopping centre ". The earliest example in Victoria, and then the largest in Australia, was the Chadstone Shopping Centre, opened in 1960. This centre, built around a major department store, included general merchandise, apparel, furniture, and home furnishings and has been followed by other similar centres situated in strategic suburban locations.

After many years of comparative obscurity, the retail food industry emerged in the 1960s as one of the major facets of marketing in Victoria and throughout Australia. This development was accentuated by the entry of several major variety chain stores into foodlines through takeovers in this area. The underlying reason had been the rapid and widespread adoption by the retailer, and the general acceptance by the consumer public, of self-service operating methods in the 1950s. One of the earliest advocates of self-service was Interstate Buyers Ltd. Established in 1935, this company departed completely from traditional wholesaling concepts, to introduce low cost distribution methods to the hard pressed, independent grocers. In 1958, to combat the growing competition from chain stores and the possible extinction of the small grocer, this company launched an aggressive retailing operation with some 400 independent retailing members, the company acting as a wholesale distributor. There are several companies working in this, or related fields such as advertising, which bring the small operators together and where the advantage of increasing size benefits both the small operator and the consumer. This trend, of course, has been especially marked during the 1960s and not surprisingly one of the most important changes which has taken place over the period has been the gradual decline in the local service grocery store.

The geographical pattern of retailing in Melbourne has changed over the years. Since the mid-1950s, the actual level of retail sales in the Melbourne city area has risen, but retail sales made in the remainder of the metropolitan area have increased to a much more marked extent. This trend has undoubtedly been influenced by the establishment of regional shopping centres and suburban supermarkets, together with increased facilities for motor car parking in suburban areas. It is also indicative of the ability of the Victorian distribution sector to adapt itself to changes in the pattern of life experienced by the consumers of their goods.

7

TRANSPORT

Transport is generally taken to mean vehicular movement, that is, passenger and goods operations by vehicles such as bullock drays, wagons, coaches, motor vehicles, trains and trams on fixed rails, movement by vessels on inland and coastal waters, and movement by aircraft. The terminal handling, storage and security of goods, and the maintenance and repair of vehicles are also included.

Important changes have taken place in Victoria's transport pattern since early settlement. These have affected prices and costs in industry, the degree of competition and monopoly, the organisational structure, the relative levels of investment, and the factors underlying demand for, and supply of, transport. These various economic aspects of transport activity can be considered over four periods : from about 1835 to the beginning of the 1850s, the 1850s to the early 1900s, the 1900s to the mid-1950s, and from the mid-1950s to the present day. These periods have some historical significance concerning the development or decline of particular transport technologies, but they are used mainly as convenient points of reference, rather than as definable transport eras.

In the formative years to the 1850s, transport development was closely linked to exploration and settlement. At first, sea communications with Sydney and Tasmania, from where the first settlers came, were most significant. The first major land route from Melbourne to Sydney generally followed the route taken by the overland explorers, Hume and Hovell.

For the first twenty years land transport within the Colony was almost exclusively by horse, bullock, or on foot along the paths and tracks established by the early explorers and settlers : it was costly, time consuming, and generally unscheduled and uncomfortable. The Colony in these early years was highly dependent on imports of most staple goods from other colonies and from overseas. Mainly because of this, land transport developed radially inland from the coastal ports and harbours. Melbourne was dominant as the major port, but Geelong, Port Albert, Port Fairy, and Portland also served their respective hinterlands as centres of trade.

By 1847 Melbourne's basic street system in the central business area had been established, Collins Street already being a main thoroughfare. Regular steamship services had also been established between Sydney and Melbourne, and Melbourne and Geelong. A number of township sites had been selected and surveyed, especially in the Western District and on the track between Melbourne and Wodonga. Some of these early centres owed their future development to their proximity to the first inland transport routes. Internal communications were predominantly based on dirt tracks, frequently impassable in the winter ; punts were used at important river crossings ; tolls were payable on most key roads ; and road and bridge construction was almost wholly in private hands. Most farmers brought their produce to market in their own wagons or carts.

Until the discovery of gold in 1851, the function of transport was to meet the demands of an economy almost wholly centred around the fledgling pastoral industry, located in the west and north and in the hinterlands of the port towns. The Mallee, most of Gippsland, and the alpine country had not been opened up. For the pastoral industry access to a port was vital, and a feature of this period was that private capital and initiative provided the major stimulus to transport development.

By the end of this first period Melbourne was the geographical pivot for Victorian transport. However, its population was small, and the overall population distribution in the Colony was influenced by the location of other ports. The general condition of internal communications was poor, the costs of transport inordinately high, and the traffic volume too small to warrant the rapid improvement of tracks or the introduction of a more efficient transport system.

During the latter half of the nineteenth century the infra-structure of land transport and ports and harbours developed. By the end of the period sailing ships were being supplanted by steamships; motor vehicles and aeroplanes were being discussed; and electric trams were being considered seriously. At the same time, the boom and speculation resulting from the gold diggings, the long period of adjustment after the gold rush, the land boom, and the collapse in the 1890s, followed by a further period of adjustment, all affected Victorian communications. Although Sydney and Melbourne were linked by rail in 1883, and Melbourne and Adelaide in 1887, different railway gauges in the various States hindered transport efficiency.

The movement of people and goods to the first gold diggings caused unprecedented transport demands. Gold towns developed mainly in districts which were relatively poor by agricultural standards, particularly in the north-central, northern, and north-eastern districts, although some were located in areas where pastoral development had already occurred. As a result, during the early years nearly all these centres lacked even primitive transport connections, and amenities such as banks, post offices, shops, etc., were slow in coming.

Land transport for goods to the diggings was predominantly by means of horse and bullock drays over roads which were just bush tracks, unpaved and undrained. Packhorses and manpower were used mainly to convey goods and equipment to remote settlements and to areas near the diggings. In districts which were still principally agricultural, road cartage was provided by farmers and small land-holders.

Cargoes, often out of all proportion to Victoria's needs, and persons travelling from other colonies, usually came by sailing ship. However, there was no way of getting the speculative stocks of merchandise from the ports to the gold mining towns. The rains played havoc with the roads, and in wet weather cartage rates advanced five and six times above normal. Freight rates of £90 per ton from Melbourne to Bendigo were not uncommon.

However, the deficiencies evoked some response both from the Government and from private enterprise. By 1854 the first railway line was in operation ; the original Cobb and Co. was running horse-drawn coaches to the diggings ; the first steamboat had arrived at Echuca on the Murray River from South Australia; a Central Road Board had been set up; a government inquiry into the internal communications of the Colony had been held ; and a recommendation to construct a trunk railway network owned and operated by the Government had been foreshadowed.

In the same short period Melbourne's centralised position in the future transport system was confirmed. This was reinforced by its proximity to the goldfields, its hastily developed port facilities, and its position as the seat of government. Technological improvements in transport, particularly the development of railways and coaches, also tended to centralise the distribution and collection of merchandise in Melbourne. The speed of railways meant it was no longer necessary to undertake journeys in short 10 mile stages by horse-drawn coach, and it put nearly all the major gold mining centres only half a day's journey from Melbourne.

Gold mining, therefore, had far-reaching effects on both the pace and the direction of development of the road and railway network, much of which is still dependent on routes surveyed and planned at this time. As a result of political decisions based on the recommendations made by a Select Committee of the Legislative Council in September 1854, about £13.2m was spent by the Government on railway works between 1858 and 1874–75. Approximately £6.8m was invested in roads and bridges between 1851 and 1874–75, the greater proportion in the period 1854 to 1865 during which the Central Road Board operated.

Government policy concerning roads and railways changed significantly in this period. The Central Road Board, the predecessor by over fifty years of the present Country Roads Board, was abolished in 1863. All road construction and maintenance then devolved on District Road Boards or Shires, the fore-runners of many of today's local government authorities. Although railways were initiated by private enterprise and were granted land free of charge for the track and station sites, it was decided early that government ownership and operation of railways was necessary. The Government acquired a number of railway lines between 1856 and 1866, but the last important acquisition was in 1878. In 1866 the Government passed Acts authorising the construction of 185 miles of railway, including lines from Melbourne to Castlemaine, from Geelong to Ballarat, and further westward. In the following year the construction of further main trunk lines was authorised, including the line to Wodonga. From 1854 to 1868 275 miles of private railways were constructed and between 1869 and 1878 the Government laid 704 miles of track.

Investment in transport facilities was accompanied by considerable increases in the efficiency of services in terms of speed, comfort, and convenience, and also in decreasing costs. After the opening of the Ballarat and Bendigo railway lines in the late 1860s, passenger fares were approximately 3¾d per mile first class, and 2¾d per mile second class. Goods charges averaged 5d per ton mile. By contrast, coach passengers were charged up to 7d per mile and goods might cost as much as 1s 2d a ton mile to transport. Before the construction of railways, costs of 3s per ton mile were being quoted for road cartage, with a delivery time of four days. In contrast, railway advocates quoted charges of 1s 6d per ton mile, with delivery in six hours, when the feasibility of establishing railways was being investigated in 1854. In fact, the early railway passenger and freight tariffs were based on British railway rates, plus 50 per cent for higher labour and material costs, and these rates continued until 1892, when they were increased. Road coach charges were also reduced gradually from 1860 to 1890, and this reflected to some extent various improvements in road communications and technology, as well as the effect of railway competition.

Other competitive influences also affected transport freight rates on particular routes. From Echuca, which in the 1870s was Victoria's second largest port, river boats transported merchandise and wool : they steamed on the Murrumbidgee River as far as Wagga, the Murray River to Albury, and the Goulburn River to Seymour. When the rivers were navigable, boat rates were between £2 10s and £5 per ton ; in the dry season the rates by road were as much as four times as high. Coastal shipping trades which were then developing also provided competition. By the 1870s and 1880s regular services for cargo and passengers had been established between Melbourne and Tasmania, Adelaide, Sydney, Brisbane, and Newcastle. A number of the early shipping companies, such as the Adelaide Steamship Co., Huddart Parker Ltd, Australian Steam Navigation Co., Howard Smith Pty Ltd, and McIlwraith McEacharn Ltd were also established.

As with other forms of transport, shipping freight rates and fares gradually declined as efficiency increased : this was largely a result of improved technology as well as competition. By the early 1890s shipping freight rates between Melbourne and Sydney had dropped to a quarter of those charged in the 1850s, and fares had decreased to a fifth. During the 1890s rates for cargo transported between Melbourne and Sydney fell to 4s per ton, while passage rates were only £1 per saloon single. This decline was largely a result of increased competition, but also reflected the economic depression of that time. By the end of the 1890s, after a succession of rate wars, steamship operators agreed that freight and passage rates should be fixed. In July 1899 a meeting of operators decided that a shipowners' association should be formed, and the Australian Steamship Owners' Federation was inaugurated in September 1899.

The increase in the size of vessels is indicated by dredging carried out on the lower reaches of the Yarra. In 1856 it was dredged to only 10½ ft; by 1887 it had a depth of 18 ft ; and by 1893, 22 ft. The Melbourne Harbor Trust was established in 1877, and by 1893 it had opened Victoria Dock, still one of Melbourne's main cargo-handling areas. By 1920 the Trust had invested $9m in port improvements. In the period 1877 to 1887 the tonnage of shipping entering the Port of Melbourne had more than doubled. Other ports both inland and coastal, while attracting regular shipping services, were never seriously able to challenge Melbourne's superiority in facilities, ancillary services, or traffic offering.

By the 1890s Victoria had a comparatively sophisticated, if not necessarily economic, transport system. Approximately 500 miles of streets in Melbourne and the suburbs had been paved ; about 2,450 miles of railways, serving all major Victorian towns, had been constructed, together with connections to Adelaide, and, with a break of gauge, to Sydney ; and 43½ miles of double track cable and 4½ miles of horse-drawn tramlines existed in Melbourne. Regular shipping services were also in operation on overseas and coastal routes and on inland rivers and lakes.

During the half century from 1850 to 1900, a large part of the transport infra-structure which is currently in use was planned and laid down. The effects of many of the decisions then made are still reflected in railway budgets, in the railway tariff structure, in track capacity, and in the standards adopted for roads and bridges. The failure of coastal shipping in the 1950s probably depended partly on developments up to 70 years before. The most costly decisions were almost certainly those relating to railway and tramway construction in the 1880s and 1890s, although this probably also applies to road building in certain areas. Railways, in particular, were built not so much to match development but rather to generate land speculation and to serve sectional interests. At the same time, much of the public capital outlay on infra-structure and equipment was warranted, and has been economically utilised. The trunk railway system, with the exception of one or two extremely expensive lines which were laid down before the 1880s, has almost certainly been a profitable investment. Capital expenditure on ports and harbours, particularly in Melbourne, generally appears to have yielded positive returns ; many road and bridge investments made early in the period also appear to have been planned with foresight.

It is difficult to evaluate private investment in transport, as it was almost wholly centred in goods and passenger movement by road, and in coastal shipping. There is little documentation available to indicate whether road transport operators fared better or worse than proprietors of other industries. Road cartage was, however, almost exclusively confined to short haul operations around towns and cities and to feeder services for rail and shipping.

Coastal shipping was probably a profitable enterprise. Competition between the Australian inter-colonial shipowners was sometimes severe, but on certain inter-colonial routes trade monopolies developed. Monopoly profits were, however, not usually of a long-term character : until the promulgation of the Commonwealth Navigation Act in 1912, Australian-owned shipping had no statutory protection against overseas vessels trading between Australian ports, and actually had no effective protection until the coastal trade provisions of the Act became operative in July 1921.

In the first half of the twentieth century the most striking transport development was the motor vehicle; of equal if not greater technological significance was the development of aircraft. However, in Victoria as elsewhere the motor vehicle has had more far-reaching effects for a number of reasons. First, it was used so ubiquitously, both in co-ordination with, and in competition against, existing forms of transport service ; second, when used in competition, it gained high-rated (net revenue producing) traffic from railways and shipping ; third, it set new standards in speed, mobility, comfort, and convenience; and fourth, it posed fundamental questions about the safety of life, the quality of the environment, and, therefore, about who should pay its social costs.

The number of motor vehicles, motor cycles, and drivers and riders has increased steadily except for a decline in motor cycles during the Second

World War. Motor vehicles increased from 27,900 in 1922 to 208,200 in 1942 and 495,000 in 1952. Drivers and riders increased from 44,900 to 339,300 and 637,500 at these respective dates.

One of the first 24 hour counts of traffic was made in March 1913 on the St Kilda Road approach to Melbourne. A total of 4,176 vehicles comprising 1,091 motor cars, 48 motor wagons, 202 motor cycles, 940 bicycles, 773 wagons and drays, and 1,122 light vehicles, was then recorded. In March 1951 a total of approximately 12,000 vehicles, comprising predominantly motor cars and light and heavy commercial vehicles, was counted in one 12 hour survey. These figures demonstrate the increase in traffic volume which has characterised the arterial road network since the beginning of the century.

There was a marked improvement in the main road system after the Country Roads Board had been established in 1913. The Board initiated the first systematic programme of road construction since the District Road Boards ceased to have control of main roads, and by 1950 the Board had assumed responsibility for 3,850 miles of State highways and 9,800 miles of main roads, of which 73 per cent and 38 per cent, respectively, were bitumen sealed.

The motor vehicle was not the first form of transport to compete economically with the railways. In the depressed years of the 1890s road hauliers had offered transport at rates considerably below those charged by the railways. To meet this competition, fares and freight rates were reduced in 1894, and also in 1908 and 1912. By the 1930s it was estimated that road transport competition was diverting between 85,000 and 100,000 tons of high-rated traffic from the railways, which were losing revenue to the extent of £1.5m per annum. Until this time freight carrying motor vehicles were regulated only in respect of speed and loads carried : under the Highways and Vehicles Act, four-wheeled vehicles operating outside the metropolitan area were limited to a laden weight of 8 tons in competition with railways, and to 10 tons otherwise. This restriction failed to curb road competition effectively, and in 1934 the Transport Regulation Board was set up to control road transport, to preserve the adequacy of existing transport services (both rail and road), to foster co-ordination among transport operators, and to develop a workable land transport co-ordination policy.

While the development of competitive road transport within Victoria dominated the transport situation in the 1930s, an embryonic air transport industry was emerging, mainly concentrated on interstate services. Holyman Airways commenced operations between Tasmania and Melbourne in October 1934. In July 1936, when the Holyman company was registered as Australian National Airways, it serviced a network stretching from Hobart and Melbourne to Adelaide and Perth. Ansett Airways began a regular air service between Hamilton and Melbourne in February 1936, and within a few years had developed a network in the Adelaide–Melbourne–Sydney triangle. By 1938 about 70 tons per week could be flown between Melbourne and Tasmania, with similar levels on routes connecting Melbourne and Sydney. By 1945 Australian National Airways had secured by far the largest share of traffic in Australian internal air services, the major competitor being Ansett Airways. It was in 1946 that the Australian National Airlines Commission was formed and began operating Trans-Australia Airlines

(T.A.A.). T.A.A. entered the competition, and by the end of 1946 was providing daily services between Brisbane, Melbourne, Hobart, and Perth. By 1948 the Melbourne to Sydney and Melbourne to Adelaide air routes, with traffic tasks of about 1,130 tons per week and 630 tons per week, respectively, had increased nearly thirty times over their 1938 levels.

The period from 1900 to the mid-1950s was marked by one further important event. In November 1954 the Judicial Committee of the Privy Council handed down a decision which was to free interstate road goods transport from State regulatory control. After this decision numerous road transport operators began carrying goods between Melbourne and other capitals at freight rates only half the previous level. This change came at a time when railway rolling stock and track were suffering from inadequate maintenance, when equipment was overdue for replacement, and when coastal shipping was plagued by industrial disputes and deteriorating productivity, arising from old vessels and increasing operating costs. As a result of the increased traffic, major roads between capital cities were seriously damaged by the number of heavy vehicles. This road transport competition resulted in a significant erosion of high-rated railways and shipping freight traffic and, though mainly confined to interstate operations, in retrospect demarcates the beginning of the present transport era. It is noteworthy that the competitive market forces arose from a combination of a judicial decision relating to interstate road transport and improved road transport technology.

The period from 1955 to 1970 has been marked by considerable advances in technology and in the quality of available transport services. The railway system has been rejuvenated through the replacement of steam by diesel locomotives. By 1962 the historical barrier of railway break-of-gauge between Victoria and New South Wales had been remedied with the opening of the Albury–Melbourne standard gauge line. Roll-on roll-off ships were operating between Melbourne and Tasmania, and rail, road, and sea container services were available within, to, and from the State. In the same period interstate and intrastate air services have been improved by the advent of jet and turbo-prop aircraft.

Apart from the effects of technological innovation, the most influential element in transport demand and supply is the preference for private car transport. Private car use for the journey to work in Melbourne's central business district increased significantly during the period 1951 to 1964. In 1964, 68.2 per cent of employees coming to the central business district travelled by public transport compared with 86.9 per cent in 1951. In 1964 travelling by tram accounted for 21.7 per cent (36.5 per cent in 1951), by train 41.0 per cent (45.0 per cent in 1951), and by bus 5.5 per cent (5.4 per cent in 1951). On the other hand, the proportion travelling by car to work in the central business district increased from 13.1 per cent to 31.8 per cent.

The relative decline in public transport patronage is probably related to the lower price of vehicles relative to income levels, the greater availability of motor cars, and the dispersion of population to low density suburban areas where public transport is either less accessible or not available. This increase in motor vehicle ownership and usage in Victoria is reflected in the following table :

VICTORIA — MOTOR TRANSPORT

Period	Motor cars and station wagons (a)	Motor cycles (a)	Other road vehicles (a) (b)	Personal consumption expenditure on vehicles (c)	Public expenditure on roads
	number	number	number	$m	$m
1953–54	397,658	30,881	130,707	112	32
1954–55	456,024	29,193	143,930	143	39
1959–60	585,867	20,644	196,445	235	75
1964–65	818,331	12,526	218,957	350	114
1968–69	1,008,506	18,527	227,605	456	160
1969–70	1,067,919	21,342	232,255	499	170

(a) On register at end of period.
(b) Includes utilities, panel vans, all trucks and omnibuses but excludes tractors, trailers, and equipment.
(c) Unofficial estimate of expenditure on purchase and operation of motor vehicles.

By contrast, between 1956–57 and 1969–70 the number of passenger journeys undertaken by rail fell from 167 million to about 144 million per annum, and by tram from 213 million to 110 million. Apart from the increase in the ownership and usage of private cars for the journey to work, other factors affecting the use of public transport in the metropolitan area have included the impact of television on the frequency of travel at night, the location of large scale shopping centres in the suburbs, and changes in the location of industry away from existing railway routes. Whether other influences, such as growing peak hour congestion on the roads, the provision of free car parking facilities at suburban railway stations, and the introduction of express public transport services to the city by bus and by train will have any significant effect on present trends, is yet to be seen.

During the period 1956–57 to 1965–66 the railways moved an increasing amount of freight, both intrastate and interstate. Approximately 80 per cent of the total tonnage of freight carried, and just over 75 per cent of the total ton-mileage performed over this period, was attributable to intrastate traffic. About 50 to 55 per cent of the total intrastate movement has been accounted for by three basic commodities—wheat, briquettes, and fertilisers. As has been the case in the past, these major classes of traffic are subject to wide seasonal and cyclical variations which may quite significantly affect the economy and efficiency of railway operations.

Since the introduction of standard gauge freight services between Melbourne and Sydney in January 1962, there have been substantial increases in the flow of traffic between Victoria and New South Wales, as well as between Queensland and Victoria. Until the completion in 1970 of the standard gauge trans-continental line via Broken Hill and Port Pirie, traffic through the Victorian railway system increased between Queensland and New South Wales on the one hand, and South Australia and Western Australia on the other. Besides the influence of standardisation, other innovations such as bogey exchange (introduced by the Victorian Railways in 1962 at Dynon yards, and at Wodonga in 1964), the development of containerisation, and the selling of freight capacity to forwarding agents at line-haul rates, in truck load or even train load lots, have been important in expanding Victorian

Railways' participation in interstate freight traffic. The combination of these factors has resulted in the development of inter-capital city railway services, which match the competitiveness of long distance road transport. This concentration of the interstate railway service on line-haul functions, and the co-operation of forwarding agents, has relieved the railways of handling goods at the terminals, a task which is highly specialised as well as expensive. It is difficult to assess whether the introduction of container ships in the Australian coastal trade will affect the present trend of growth in rail traffic.

Few statistics illustrating the patterns and trends of Victorian road freight transport are readily available. However, in 1963 the Commonwealth Statistician conducted a survey of vehicle usage on an Australia-wide basis, from which some estimates may be derived. The results of this sample survey indicated that nearly 40 per cent of vehicles engaged in goods-carrying activities in Victoria operated within, or to and from, Melbourne, and that these vehicles performed about 49 per cent of the estimated total ton-mileage. From the survey it was also estimated that nearly 75 per cent of the total tonnage of goods moved intrastate was carried 25 miles or more from Melbourne, and was moved in vehicles other than those belonging to primary producers. The survey showed that the greatest proportion of all goods-carrying vehicles carried the following classes of freight : farm produce and farm supplies, tools of trade and servicing and maintenance equipment, general goods, foodstuffs, and building and construction materials. The classes of commodities which involved the largest ton-mileages were general goods, mine and quarry products, and foodstuffs. Over 87 per cent of all commercial goods-carrying vehicles in Victoria were operated by enterprises other than hire-and-reward carriers. The survey indicated, however, that this class of cartage was essentially short haul and that it accounted for only about 40 per cent of the total ton-mileage estimated for the State.

Interstate road transport freight movement between Victoria and New South Wales is predominantly between the respective capital cities, between the Riverina and Melbourne, or between major provincial cities. It is estimated that in 1963–64 over 1 million tons of freight were moved between Melbourne and Sydney alone. Since 1963–64 this freight traffic has increased by an estimated 50,000 to 100,000 tons per annum. There is also a significant movement of general merchandise between Melbourne and Adelaide and, on a smaller scale, between Melbourne and Brisbane.

In interstate transport, competition exists not only between road hauliers, but also between road transport and rail transport and on certain routes with sea and air transport. Competition for freight transported between capital cities has been rationalised during recent years by the emergence of a few large, highly capitalised enterprises. These large firms control the loading of large fleets of vehicles, but a significant part of the long distance interstate work is subcontracted to owner-drivers and to smaller businesses. Transport freight rates for the door-to-door delivery of merchandise on these inter-capital city routes tend to be about the same for road and rail.

Intrastate shipping operations on the Victorian coast, with the exception of the movement of petroleum products between Melbourne, Geelong, Western Port, and Portland, are negligible. Interstate shipping services for general cargo have been well developed in the last decade, particularly between Melbourne and Tasmania by the Australian National Line and the Union Steamship Company, and between Melbourne and Perth by Associated Steamships Pty Ltd. In the interstate movement of petroleum products, and to a lesser extent iron and steel products and black coal, significant quantities are still transported by sea, but rail transport shares a large proportion of the interstate iron and steel traffic from New South Wales, while the changeover to the use of natural gas will further reduce imports of black coal to Victoria. Unless considerably larger volumes of general cargo for interstate movement are attracted to coastal shipping, there could be a relative decline in the importance of this traffic to and from Victoria.

The development of the Port of Melbourne as a major container terminal for imports and exports carried in overseas container vessels, and the provision of special coastal container ships to service these vessels, is likely to assist the growth of Melbourne's overseas and interstate traffic. Traffic through Portland and Western Port should also continue to increase, especially for bulk cargoes.

As is the case with shipping, scheduled air transport services in Victoria are mainly centred on interstate and overseas operations, with the difference that passenger movement is appreciably more important than freight, and is predominantly between capital cities. The new international airport at Tullamarine, 12 miles from the city centre, not only serves domestic traffic, but also brings larger numbers of overseas visitors direct to Melbourne.

In the future it can be expected that competition between different forms of transport for passenger and freight traffic, both interstate and intrastate, will intensify. At the same time, there will continue to be a large amount of traffic suited only to one form of transport, largely for economic or technological reasons. The past history of transport development indicates that the efficiency and economy of the system can be influenced by events and by personalities, by private as well as government initiatives, by technology and management, and by competition and regulation. The combination of these factors will determine the long-term viability of the transport system.

8

MARITIME TRADE

The Victorian maritime trade pattern falls under three headings: overseas, interstate, and intrastate. The extent of trade under each of these headings is affected by the internal economics of the industries concerned and the competition between the various means of transport. Overseas trade differs from the other two forms of trade because, since the 1860s, it has been subject to a protectionist policy, introduced by the Victorian Government and continued by the Commonwealth Government after Federation. The nature of the articles given protection is influenced by government measures which encourage trade in certain items, so assisting local industries while at the same time preserving a balance between imports and exports.

An important factor in the pattern of maritime trade is its flow through ports from its source to its destination. This is influenced by port facilities, the concentration of population and industry in the hinterland, and the effectiveness of internal transport. Some changes in this flow of trade through different ports have resulted from government action. The extension of the rail link connecting Melbourne and Bendigo to Echuca, opened on 19 September 1864, made Echuca the main distributing port for the river trade, and also diverted trade from the western coastal ports to Melbourne. Originally the river trade was developed to shorten the long bullock wagon trek from north of the Murray to the coast, but this diversion through Echuca also attracted the trade from a number of areas south of the river and for some years its trade amounted to one fifth of the total for Victoria. At the same time the maritime trade of Portland, which previously had represented some 12 per cent of the total Victorian trade, dropped to about 0.4 per cent. Warrnambool and Port Fairy suffered similarly, but they had an added disability in that the growth in size and draught of ships demanded better facilities than they could provide. An unsuccessful attempt was made in 1886 to provide a sheltered harbour at Warrnambool, while Portland, although it enjoyed much better natural conditions, was only able to maintain an intermittent trade until 1900, when the construction of a deep water jetty improved facilities. Fifty years later the Victorian Government began the construction of a sheltered harbour and modern port facilities at Portland, and these have operated since 1960. The maritime trade of the port has now risen to 2.4 per cent of Victorian trade and further advances can be expected with the more recent development of facilities for wool sales, the bulk handling of grain, and the production of artificial fertiliser.

Further government action in installing bulk wheat handling facilities at Geelong also influenced the trade flow. Originally aimed at diverting the wheat rail traffic of the western areas of Victoria to prevent congestion of the metropolitan railway system, it proved so successful that a proposal for a similar installation at Melbourne for wheat from northern and eastern areas was abandoned, and since 1930 the Geelong installation has satisfactorily handled almost all of the State's wheat exports. The influence of port facilities on the flow of trade is also illustrated by the establishment of a large modern refinery at Geelong. This port had previously handled only some 10 to 12 per cent of Victorian maritime trade, but increased port revenue from the oil trade allowed its dredging to be improved, and it therefore attracted the development of other industries. The port now handles approximately one third of Victorian maritime trade.

The Port of Melbourne, which in 1877 was placed under the control of a Board of Commissioners who had full financial responsibility, was developed sufficiently to be able to handle the large trade growth in the 1880s. It has kept abreast of port development to the present time, including the new specialised techniques of containerisation and roll-on roll-off cargo handling.

The development of maritime trade in Victoria can conveniently be divided into five characteristic periods. For purposes of comparison the figures used are the average annual quantity or value over each decade computed from the yearly recorded figures. By using these average figures for each ten year period the short term variations are eliminated and a better perspective is gained of the trends over 133 years.

Before 1850

The origins of maritime trade can probably be traced to the whaling stations which Tasmanian interests established near Portland in the late 1820s and early 1830s. In 1834 Edward Henty settled at Portland, and in 1835 Batman and Fawkner settled in Melbourne. Equally important were the overlanders who came with their sheep from New South Wales after September 1836, when Governor Bourke issued a proclamation opening the Port Phillip District for settlement.

One factor closely associated with the development of maritime trade has been the change in size, type, and speed of vessels since 1836. Until 1840, all vessels were sailing ships, averaging 110 tons net measurement, with about 180 vessels entering Victorian ports annually. (Net tonnage approximates to the cargo carrying capacity, and not gross tonnage. The latter is the more usual ship measurement and in a cargo vessel it is about twice the net tons.) In the next decade these figures increased to 145 net tonnage and 348 trading vessels. These ships were all of British register, and until 1850 trade was almost exclusively with Britain.

The first use of steam power on sailing vessels was for the operation of cargo handling winches, and by 1850 most sailing ships had a donkey engine and boiler for cargo handling. The use of the steam winch for cargo handling has persisted with only minor changes for over one hundred years, and is only now being superseded.

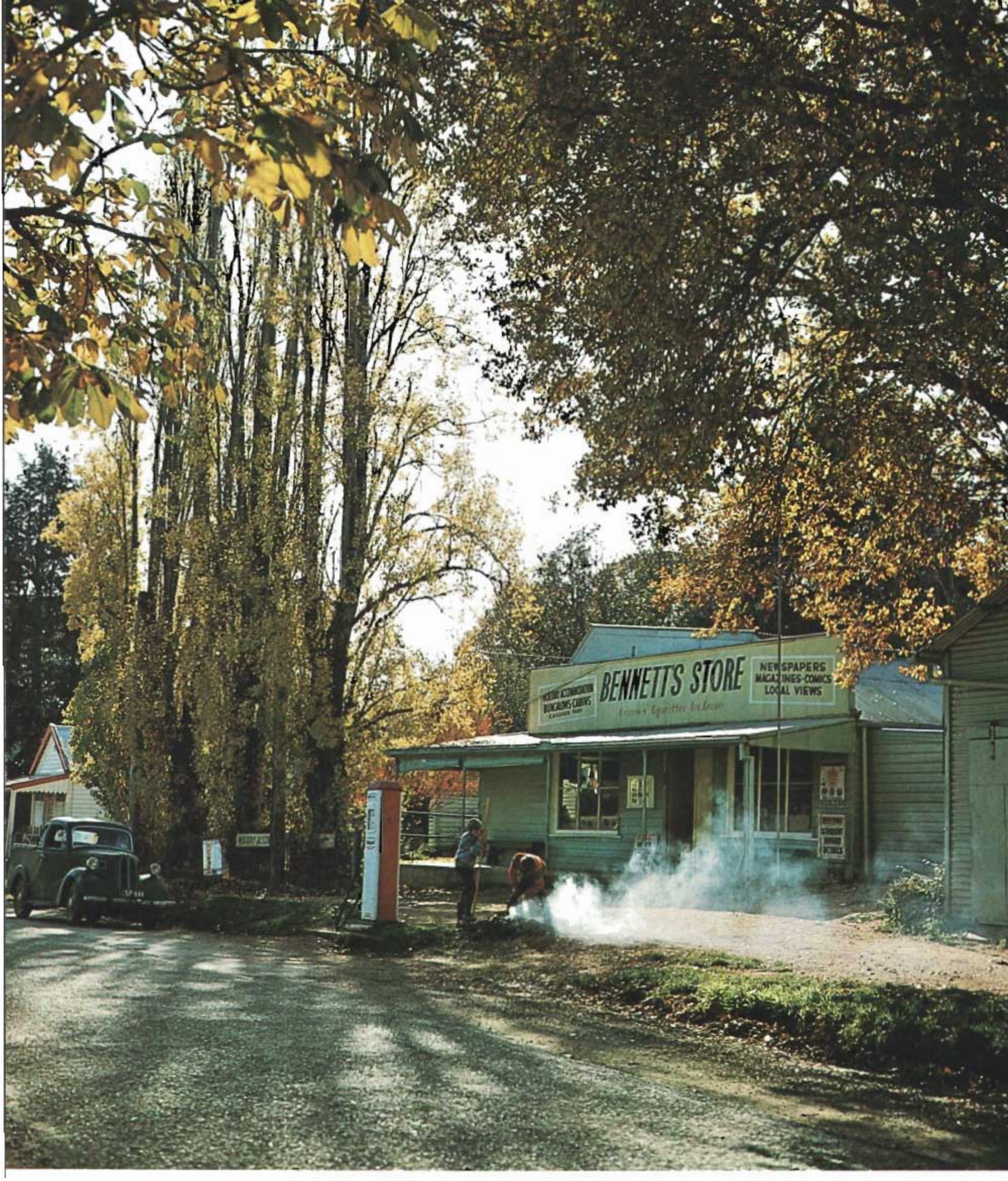
There is no official record of maritime trade in 1836, but a small quantity of wool was shipped in that year. Maritime trade expanded rapidly: the average annual figure for the four years until 1840 was £268,838, of which £207,178 was imports (mostly livestock), and £61,660 was exports, £37,198 being wool and tallow, and the remainder wattle bark, whale oil, and a small quantity of dairy produce. Trade more than tripled in the next decade. Much of this was interstate and coastal trade, and it was handled by the ports of Portland, Port Fairy, Warrnambool, Geelong, Melbourne, and Port Albert. From the beginning until 1850 the growth of trade increased by about 18 per cent per annum, a rate exceeded only during the initial period of the gold discoveries.

From 1850 to 1870

The second period began with the separation of Victoria from New South Wales and the discovery of gold. The growing population stimulated trade, and with the backing of gold there was no difficulty in obtaining overseas credit. Nevertheless, the export of primary products continued to expand. During the 1850s, with the gold discoveries and the great influx of persons to the diggings, the average net tonnage of vessels rose to 300 and the average number of vessels entering Victorian ports rose to 1,926 per annum. As a result of world-wide interest in Victoria's gold, a number of these vessels came from Europe and America; maritime trade with non-British countries had begun. During this period a few steam ships were engaged in Victorian trade, and there were also sailing ships with auxiliary steam propulsion. Before the introduction of steam a voyage between Victoria and Europe could last up to six months, but this was reduced with auxiliary power to an average of ninety days. The first overseas steamship to visit Victoria, the P. & O. steamer *Chusan,* entered Port Phillip Bay in July 1856; however, on average, only 5 per cent of ships trading during the 1860s were steamers. The percentage increased rapidly to 60 per cent in the 1870s, 70 per cent in the 1880s, and 80 per cent in the 1890s. The speed of the early steamships was between 8 and 10 knots, which halved the time taken between Europe and Victoria. The average speed of ships since then has increased by about one knot per decade, the average speed now being 18 to 20 knots.

The construction of ships changed generally from wood to iron during the late 1860s, and whereas the earlier ships had only needed berthage with a depth of from 8 to 12 ft, depths exceeding 15 ft now became a common requirement. This, and the need for larger areas of sheltered water as the size of ships increased, embarrassed most of the small coastal ports, and partly caused their loss of trade. Trading ships brought immigrants and goods to Victoria and loaded Victorian products for the return voyage. During this period the main overseas imports comprised manufactured foodstuffs, 10 per cent; clothing and textiles, 30 per cent; liquor and tobacco, 7 per cent; metal manufactures and machinery, 25 per cent; oils, mostly lighting kerosene, 2 per cent; and about 1 per cent each of earthenware and glassware. During the 1850s the value of gold exported averaged over £9m per annum, and in the following decade fell to about £6m per annum. Wool was still the main primary product and wool exports continued to rise, the corresponding values being £3.3m and £6.0m.

Maritime trade increased at an average rate of almost 40 per cent per annum during the 1850s. Owing to the change from surface mining to deep mining and to the increasing unemployment in the following decade, the overall rate for the whole period was only 19 per cent per annum; attention



A country general store in north-eastern Victoria.
Gordon De'Lisle

A typical retail establishment of the gold rush era at Bendigo in 1853 (top). The Eastern Market, Melbourne, c. 1864 (centre). A view of the eastern end of Collins Street, Melbourne, in the early 1860s (bottom).

La Trobe Collection, State Library of Victoria

Buckley and Nunn Ltd in 1913, now the oldest major extant retail store in Bourke Street, Melbourne.

La Trobe Collection, State Library of Victoria

Closing day, 3 June 1928, at Coles' Book Arcade.

La Trobe Collection, State Library of Victoria

The Myer Chadstone shopping centre with its car park, the first major suburban retailing complex developed in the 1960s.

Aerial Photographers

also turned to industrial development in the 1860s and led to the adoption of protective policies.

From 1870 to 1910

The advantages of protective policies were felt at the beginning of this period. Maritime trade became increasingly diversified, and its flow pattern changed as transport from the ports developed to suit the more urban settlement associated with industrial expansion. During this period trade began with India, the Middle East, the Far East, New Zealand, and Canada; that with Europe and America increased and for the first time trade with the United Kingdom showed a significant decline. Overseas trade remained at a nearly constant level during this period but interstate trade expanded 60 per cent over that of the previous twenty years. During the later 1870s and the 1880s Victoria enjoyed general prosperity and became a major distributing centre in Australia for both import and export cargoes. The population continued to increase, but the rate of increase was far lower than in the preceding period. From the beginning until after the gold rushes, the increase had been as high as 70 per cent per annum, but it fell to about half this during the 1860s. The rate of trade increase from 1870 to 1910 averaged 1.2 per cent per annum.

The average net tonnage of vessels continued to increase. It rose to 760 net tons in the 1870s, and has increased at approximately 450 net tons per decade to the present time. The average number of vessels entering Victorian ports annually has risen from 2,153 during the 1870s to the present figure of 3,305 for the 1960s.

Although some local manufacturing activities were well established, the nature of overseas imports changed only slightly during this period. Liquor and tobacco, which averaged 7 per cent in the 1850s and 1860s, fell to 4 per cent at the end, but averaged 5½ per cent for the period; manufactured foodstuffs, correspondingly 10 per cent, fell in this period to 5½ per cent; clothing and textiles were unchanged; metal manufactures and machinery rose from 25 per cent in the previous period to 27 per cent in this; and timber and paper rose from less than 1 per cent each to 3 per cent and 4 per cent, respectively. Wool, which began as the main export, maintained its lead throughout; in this period it averaged a little over £2.5m per annum; gold averaged about £1m. Butter and grain exports were increasing steadily, and after successful ship refrigeration was introduced in the late 1880s, frozen meat became an increasingly important export.

Many factors contributed to the depression of the 1890s, and the impact on Victoria's balance of trade became evident in 1893–94; signs of the impending recession had been noticeable from import and export activities as early as 1884. By 1897 the trade position had recovered, and by 1900 a favourable balance of trade existed. Federation, ensuring free trade between the States, became effective in 1901 and further helped Victoria's recovery from the depression.

From 1910 to 1950

The economic and social problems of this period, following both world wars as well as the depression of the 1930s, were accompanied by increasing industrial troubles on the waterfront. Nevertheless, although more variable, maritime trade showed an average increase of 2.3 per cent per annum.

By 1920 the sailing ship had ceased to be a significant factor in maritime trade. The exception was the rare sailing ship transporting an export wheat cargo, and a few small sailing ketches which remained on the Tasmanian and Bass Strait island trade until the 1930s. In the late 1920s ships powered by diesel engines instead of steam began trading ; by the end of the 1940s they formed a significant proportion of ships, and during the 1950s they exceeded the number of steamers. The main advantage, apart from their general economy, was the electric operation of cargo winches, which permitted better deck arrangements, larger hatch openings, and faster cargo operations. The installation of electric wharfside cranes in the larger ports also helped increase the loading and discharge rates of ships. The introduction of the motor car and other self-propelled vehicles has had a very marked effect on maritime trade. Not only have these vehicles, and their parts and components, become a significant item of trade, but imported fuel and lubricants now rank largest in the volume of maritime trade, and the fourth largest in value. Refined petroleum products in the form of lighting kerosene have been imported since the early days of trading, when they amounted to about 2 per cent of total value. After 1905 motor spirit was imported in drums and by 1920 the increase prompted the oil companies to erect bulk storage facilities and to bring in refined petroleum products by tankers.

The internal combustion engine also provided the means for operating mobile cargo handling equipment developed largely during the Second World War for loading and unloading ships. Its introduction to port operation immediately afterwards helped to overcome the difficulties of a period when the ports were experiencing an upsurge of trade and had accumulated arrears of developmental works owing to war-time shortages of manpower and materials. During the late 1940s and the early 1950s efforts were made to accommodate the expansion of trade, despite the lack of space available for cargo because of the greater operating areas needed for the new equipment. Although these difficulties were overcome, they prompted the reconsideration of the whole concept of general cargo handling, and basic changes were initiated. These led to the use of specialised ships and port facilities.

Wharf transport had largely changed from horse-drawn to motor transport by the end of the 1920s and a few years later the conversion was completed for the movement of goods within the State. General road improvements followed, and as internal transport accelerated it became necessary to quicken ship turnround in the 1940s. In the Port of Melbourne, the number of electric wharfside cranes was doubled, and a fleet of approximately 100 mobile units was provided by the port to augment a similar number provided privately. As the size of motor land transport increased, interstate highways were improved, and interstate maritime trade began to lose volume to land transport. A further indirect loss to interstate maritime trade came when road competition affected the Victorian Railways, which sought to improve its interstate service; in doing so the railways attracted some heavy items of maritime trade which were less suited to motor transport.

From 1910 the official recording of interstate maritime trade ceased, leaving only the various port records as an authoritative source for this information. Since these records show only volume of trade and no monetary value, all comparisons from 1911 onwards have been made in terms of volume.

Maritime trade during this period has shown further diversification. There was a substantial increase in the percentage of trade with European countries, New Zealand, Canada, U.S.A., India, and the Far East, while trade was begun with Japan, the Arab States, South Africa, and later with the U.S.S.R. The average annual volume of trade showed a steady rise in each decade, that of interstate trade rising more rapidly than overseas trade. This rise in interstate trade was the result of the transport of refined petroleum products in tankers operated by oil companies, and more than outweighed the fall of 30 per cent in interstate general cargo which had caused the failure of several well established shipping companies.

From 1950 to 1970

Trade was further diversified during this period and showed some marked changes. In particular, the average increase in maritime trade was almost 6 per cent per annum as compared with 2.3 per cent in the previous period. A higher standard of living and highly competitive commerce produced a tendency to imbalance between imports and exports in spite of the encouragement given to exporting industries, and the Commonwealth Government was forced to apply import restrictions to correct the position in 1952, 1956, and 1961.

The volume of maritime trade, in comparison with the previous period, had increased by 50 per cent with America, 400 per cent with Japan, 100 per cent with south-east Asia, 100 per cent with the Arab States, 300 per cent with Canada, and 60 per cent with the U.S.S.R. It had decreased by 13 per cent with the United Kingdom, 7 per cent with Europe, 8 per cent with India, and 20 per cent with South Africa. A small trade with South America began, and that with New Zealand remained the same. Wool still remained the main export followed in order by grain, butter, frozen meats, dried and canned fruit, refined petroleum products, and machinery (including motor cars and parts). These comprised 78 per cent of the total; the other 22 per cent consisted of many items, each less than 1 per cent. The main imports, comprising 48 per cent of the total, were metal manufactures and machinery, clothing and textiles, crude oil, manufactured foodstuffs, and paper.

Specialisation in certain cargoes has been accepted for many years. The tank ship, now so common as a petroleum carrier, was used for carrying whale oil in the 1860s, and the many types of ore carriers, originating as coal carriers, date from the time the steam engine was invented in the mid-eighteenth century. The main difference now is the enormous size of this type of vessel ; it requires special shore installations to handle cargo quantities expeditiously, as well as deep water channels and berths. Because of difficulties of depth at the entrance to and within Port Phillip Bay, Victoria's third oil refinery was sited at Western Port. The use of very large ore carrier vessels to Victorian ports appears unlikely ; the import of coal has given place to oil, phosphatic rock is now shipped to a number of separate ports, and other bulk cargoes are not handled sufficiently often to warrant ships of abnormal size. Refrigerated ships have operated from about 1890 when frozen meats were first exported ; they have aided the export of dairy produce and fresh fruit, of which only small quantities were exported earlier. In Melbourne the first trial of handling cargo in specialised ships took place in 1959 with a roll-on roll-off vessel in the Tasmanian trade, and in 1964 with a container-carrying vessel in the Western Australian trade. In April 1969 the first overseas container carrying vessel berthed in Melbourne. This type, and roll-on roll-off vessels now operate between Australia and Japan, Europe, North America, and New Zealand. The Commonwealth Government, through the Australian National Line, owns one specialised vessel in each of the European, Japanese, and east coast North American trades, and has a share in a roll-on roll-off vessel in the west coast North American trade.

The Port of Melbourne is Australia's largest general cargo port and during 1969 handled 13.2 million tons of which 7.7 million tons were general cargo. Containerised general cargo comprised 14.7 per cent of total general cargo in that year. During 1970 the total tonnage of general cargo increased to 9.3 million tons and the proportion containerised increased to 29.7 per cent.

Industrial conditions on the Victorian waterfront have been difficult since the beginning of this century. For some time working conditions for wharf labour were not as good as those generally enjoyed in other industries, and improvements came only after complicated and indirect negotiations. This resulted from the fact that labour was employed by an agent of the principal, but worked on property controlled by the port. During the Second World War the Commonwealth Government under war-time regulations held some control over labour, and as a result a board was established in 1947 to regulate waterside conditions. Changes in both the constitution and the powers of this body have been made from time to time, but although some stoppages have occurred since its introduction, none has been as protracted as those of the 1920s. Industrial action has had little effect on either the quantity or pattern of overseas maritime trade, although the delays have increased freight charges. The decline of interstate trade, however, has been severe, and has contributed largely to its loss to land transport.

The substantial freight rises in the early 1960s and their adverse effect on the Australian export trade were the main reasons for the recent Commonwealth inquiry into the stevedoring industry. Its findings have brought about some basic changes. Permanent employment, together with retiring and long service allowances, are now provided.

A NOTE ON THE TARIFF

Overseas trade and manufacturing industry developed against a background of tariff protection to which only brief reference has been made elsewhere, where the origin of Victoria's tariffs before Federation was noted. They were important to the establishment of manufacturing industries and became a lively political issue. At Federation the first tariff was ostensibly to raise revenue but, to do this, it incorporated the protective rates applying in the States. The first major revision was made in 1907, and duties were increased in 1911 and 1914. During the First World War the range of local industries widened as a result of growing wartime demands and difficulties in obtaining imports. After 1918 there were more demands for increased protection to consolidate the newer as well as the older industries, and tariff policy met these demands during the 1920s; in fact, there was agreement among employers and employees in primary and secondary industries that this should be so.

The idea of an advisory body to the Commonwealth dates back to 1910 but the Tariff Board was not established until 1921. Its first full examination of tariffs led to the revised Tariff Schedule and to its further upward revision in 1927. In that year the Prime Minister appointed the Brigden Committee to report on the operation of the tariff. The findings, published in 1929, concluded that for the size of the population it was unlikely that the level of national income in Australia would have been as high under free trade, but it warned that indiscriminate tariff-making could channel resources from areas of production which were economic and efficient to those which were not, and could consequently reduce the potential level of national income.

The Commonwealth Government increased duties, prohibited many imports, and imposed primage duties between August 1929 and July 1931 as emergency measures to deal with the unemployment and balance of payments difficulties of the depression. While the United Kingdom was still Australia's most important trading partner (although decreasing in importance), guidance for the work of the Tariff Board was given in the 1932 United Kingdom–Australia Trade Agreement (the Ottawa Agreement) which provided that tariff protection should only be given to those industries which were reasonably assured of success and that United Kingdom producers should be given the opportunity for reasonable competition in Australian markets. Following on this the Tariff Board reviewed the tariffs for individual items, resulting in a general downward adjustment of tariffs between 1932 and 1936, and reciprocal preferential tariff rates (the British Preferential Tariff) were levied upon agreed British Commonwealth exports.

In May 1936 the Government initiated a policy of trade diversion to increase exports of primary products and expand secondary industry to strengthen Australia's foreign exchange reserves. To implement this policy it restricted imports of certain items with a view to manufacturing them in Australia. It was intended to obtain certain other imports from countries which were more likely to expand their purchases of Australian exports. The Government proceeded by means of import licensing and, where it appeared desirable, by the imposition of tariff barriers. British Commonwealth countries' exports were generally exempt from licensing and the United Kingdom was totally exempt from the licensing system. In May 1938 the licensing restrictions were replaced by tariff duties to protect Australian industries which had developed or expanded under the licensing system.

During the Second World War emergency import controls were introduced to conserve shipping space and foreign exchange for essential commodities. The Tariff Board in 1942 was given a reference to make general investigations into the post-war reconstruction of Australia's secondary industries but this was changed with the creation of the Department of Post-war Reconstruction and the establishment of the Secondary Industries Commission and the Secondary Industries Division in 1943, and action by the Tariff Board under this reference was limited to specific industries. At the end of the war import controls were progressively eased, but due to a severe drain on

Australia's currency reserves they were reimposed in March 1952.

Australia developed further trading relations with countries other than the United Kingdom and this was reflected in the trade agreement with Japan in 1957, which was reviewed in 1963 according to the objectives of the General Agreement on Tariffs and Trade (established in 1948 with Australia as one of its original members). In addition, the 1957 United Kingdom–Australia Trade agreement lowered the obligatory preferential margins allowed by Australia to the United Kingdom.

With most import licensing controls removed in 1960, the tariff became more significant in protecting Australian industries against import competition. The Report of the Committee of Economic Enquiry (the Vernon Report), published in 1965, found that tariffs had been important in the expansion and diversification of local manufacturing but referred to the need for an examination of protected industries to ensure they were "efficient" and "economic" or were likely to become so. It also suggested that the Tariff Board should consider whether particular tariffs were likely to hamper the economic operation of other industries to such an extent that the disadvantages outweighed any gains resulting from them.

Since the 1930s the trading relations of Australia have widened, secondary industries have grown and diversified, and mineral exports have expanded. Against this background, the Tariff Board has been examining the traditional tariff-making principles and practices. It has concluded, and has reported its conclusions in its recent annual reports, that changes in circumstances have made the traditional tariff-making principles and practices inadequate to deal with the current requirements of the economy.

Accordingly, the Tariff Board has developed a new approach to its work, which involves a systematic review of the tariff and the establishment and use of "points of reference" based on the concept of effective rates of protection. Points of reference represent levels of effective protection reflecting in the Board's view, "high", "medium", and "low" cost production. The Board considers that "high" cost production is that where effective rates of protection exceed 50 per cent, "medium" cost production is where effective rates exceed 25 per cent but do not exceed 50 per cent, and "low" cost production is where effective rates are 25 per cent or less.

Points of reference are based on the concept of effective rates of protection, that is, the protection accorded the value added (the total value of the work done) in the production process. The Tariff Board has explained that the points of reference are not in themselves definitive or independent criteria for assessing the economics of local activities ; that the existence of "high" levels of protection does not necessarily mean that an industry is uneconomic ; and that an element of judgment will always be involved in the assessment of external effects.

The incidence of the tariff during Australia's history has been determined by the needs of the country at a particular time. Originally it was used to give employment to the population after the gold rushes in Victoria and it enabled secondary industries to exist and expand. Since the Second World War tariff issues have increased in complexity and this has led to more comprehensive and nationally-based considerations on which to assess the tariff structure.

9

EMPLOYMENT AND INDUSTRIAL RELATIONS

EMPLOYMENT AND UNEMPLOYMENT

On 19 November 1834 Edward Henty, the first permanent settler in Victoria, landed at Portland Bay, bringing with him four indentured servants, supplies, and equipment. In the early stages of settlement employees were, generally speaking, unskilled workers—shepherds, plough-hands, and the like—and they came to the settlement with their employer, although in the course of time other persons arrived seeking employment. In the first years of the infant settlements almost all requirements were imported, and labour needs were simple—erecting huts, fencing, clearing land, tending the flocks, and occasionally engaging in a little farming and vegetable growing.

As life became slightly more sophisticated the pattern slowly changed—the percentage of pastoral and agricultural workers dropped and the percentage engaged in manufacturing, etc., rose. In 1841 over 27 per cent of the population of 20,416 was engaged in rural pursuits (five years later the figure was 23 per cent) and 9 per cent were artisans, mechanics, and labourers (by 1846 this had risen to over 12 per cent). Up to the time of the gold rushes settlement had been slow. In sixteen years the European population had grown to more than 77,000 with major concentrations in Melbourne and Geelong. Melbourne had 4,073 houses and 23,143 people. Apart from Melbourne the only settlement large enough to be called a town was Geelong with 8,291 inhabitants. The settled country consisted of large tracts of land called " stations " or " runs " for the grazing of cattle or sheep. Manufacturers hardly existed, except those concerned with preparing for local use the products of stations and farms. In 1848 there were 223 flour mills, 62 tanneries, 51 breweries, 30 soap and candle works, 27 foundries, and 86 other establishments called factories in Australia; as the average number of workmen in them was under 4, they gave employment to less than 1 per cent of the population.

The discovery of gold on the Turon and in other localities in New South Wales early in 1851 caused a mass migration to these areas, thus creating a labour problem for Victoria, an infant colony wanting settlers. This migration was reversed later with the discovery of goldfields at Ballarat, Bendigo, Castlemaine, and other places in Victoria, but Melbourne and Geelong were almost entirely denuded of their male populations. Sailors and masters alike deserted incoming ships, police left their posts, and Governor La Trobe was forced to summon military help from Tasmania to provide a gold escort from the diggings to Melbourne. People from overseas prepared to migrate to Victoria, and the resulting influx presented new problems. Many were unaccustomed to hard physical work, and many brought their families and all their possessions, posing problems of finding provisions and accommodation. By 1854 over 15 per cent of the population was engaged in mining.

The labour situation in Melbourne began to ease with the return of many diggers who had failed in their quest for gold. The proportion of rural (pastoral and agricultural) workers had fallen suddenly as men left for the diggings but rose again in a few years as the gold fever waned. In 1851 over 15 per cent of the population was in rural occupations—by 1854 the figure had fallen to 6 per cent but by 1857 had risen again to 9 per cent. On the other hand, the proportion of artisans, mechanics, labourers, and carriers rose to meet the demands of the greatly increased population but in a few years fell to below pre-goldrush proportions. In 1851 they formed 12 per cent of the population, rising to 14 per cent in 1854 and falling to 11 per cent in 1857. As surface mining became less important some of the original diggers returned to their homelands but many stayed in Victoria and took up farming (after the successful agitation for the release of great tracts of land held by squatters). Others went to work in the cities and towns where they were quickly absorbed and the remainder continued in mining occupations, mainly as employees of companies using mechanised techniques.

Following the early years of the gold rushes distinct changes occurred in the employment pattern in Victoria. Manufacturing industries, few and small as they were, grew to meet the demands of the increasing population—in 1850 there had been only 68 manufacturing establishments, but by 1861 there were 531 employing 4,395 hands. As gold production in Victoria began to fall (from £12m value in 1856 to £6m in 1866) the diggers sought other employment. The Victorian diggers, to a much greater extent than those of New South Wales, were immigrants from Europe and America, knew little of farming, and had originally been tradesmen or factory hands. Many returned to their previous occupations and soon formed a body of artisans eager for economic protection when the end of the mining boom had occasioned much temporary unemployment throughout the Colony. However, the increasing population ensured a continuous demand for local products and for services, thereby easing the situation. The rise of factory industries, aided by protective tariffs (the Victorian Government was anxious that those leaving mining should not leave Victoria) offered further employment opportunities. Factory development in Victoria was mainly directed towards manufacturing consumer goods, whereas in New South Wales industry was mainly engaged in the preparation of raw material for use in manufacturing establishments. By 1867 the first factories manufacturing woollen textiles, boots, shoes, and clothing had been established and by 1891 over 3,100 "manufactories and works" were submitting annual returns showing 52,225 persons employed.

The 1871 Census records indicate a work force of 293,000 persons. By 1881 the numbers had risen to 375,000 persons, by 1891 to 485,000, and by 1901 there were 524,000 persons. At the Census of 1891, 19,930 men and 3,317 women classified themselves as unemployed. There was an increase in the proportion of females in employment—from 15.5 per cent in 1854 to 24 per cent in 1901.

During the 1880s the adoption of the harvester introduced mechanisation to the wheatfield, thereby diminishing the demand for some seasonal rural labour. The depression of the 1890s caused much hardship. The weight of the bank failures in 1893 fell most heavily upon labour. The volume of employment was at once greatly reduced and the decline extended to the building industry as well as to every form of manufacture. Factories, which had employed some 52,000 persons in 1891, employed less than 40,000 in 1893. Also, the severe drought in the latter years of the 1890s created unemployment in rural industries. During the years 1891 to 1905 the total net emigration from Victoria was 164,626 persons. A majority of the emigrants travelled to Western Australia seeking a living from the newly found goldfields. Gold mining again became of importance as a means of livelihood in Victoria —in 1897 it was estimated that in Victoria there were 32,820 gold miners, an increase of 54.8 per cent on the number recorded at the 1891 Census. However, towards the end of the 1890s the worst effects of the depression were over. The development of rural industry during the 1890s did much to stabilise the economy, while irrigation schemes, the building of railways, and subdivision for closer settlement provided some employment. The subsidising of butter manufacture did much to expand the dairying industry, thus providing employment in what was to become a leading export industry in a few years. As recovery continued, the demand for labour increased rapidly and many thousands of British immigrants arrived in the years before the First World War. To encourage this migration the States had returned to the policy of assisted migration; 44,366 assisted persons had arrived in Victoria in the years 1907 to 1914.

During the years 1903 to 1916–17 the number of factories increased from 4,151 to 5,445, an increase of 31 per cent, and persons employed increased from 73,229 to 116,970, an increase of 60 per cent. The number of factories employing over 100 hands increased from 118 to 191, an increase of 62 per cent during the period, and the number of employees in these factories increased from 24,136 to 50,603, an increase of 110 per cent. In smaller factories the numbers increased from 4,033 to 5,254, an increase of 30 per cent, and persons employed rose from 49,093 to 66,357, an increase of 35 per cent.

Employment opportunities increased during the First World War because of an increase in industrial activity. Enlistments for service overseas (about 330,000 went from Australia) and compulsory national service within Australia also absorbed a large number of younger males, thus easing the unemployment position—45,152 had been registered as unemployed at the Victorian Government Labour Bureau in 1914; in 1917 the number was 12,575.

During the first ten years after the war unemployment was generally low although it did rise during the recession of 1920–21, in 1924–25, and again in 1928 and 1929 at the commencement of the world depression. The period was marked by a great increase in factory production and factory employment—in 1918–19 there were 5,720 factories employing 122,349 workers ; by 1927–28, just before the depression, there were 8,245 factories employing 160,357 workers. In the rural sector, closer settlement and soldier settlement had broken up some of the remaining large estates, changing the rural employment pattern, although many of the areas were not sufficient to provide for what was known as a viable " Home Maintenance Area "; private settlement, particularly in the fruit growing regions of the Murray valley irrigation areas, had increased the number of small holdings employing seasonal labour.

By 1929 prices of primary products on world markets began to decline quickly. The Australian manufacturer depended almost entirely on the local market which was now seriously affected by the reduced spending capacity of primary producers and others, and unemployment grew quickly in both town and country.

During the January to March quarter 1929, 8.6 per cent of unionists were recorded as unemployed; during the April to June quarter 1932 the figure had risen to 27.7 per cent—it was not until the October to December quarter 1937 with 7.3 per cent of unionists unemployed that it fell to pre-depression levels. Although there had been a slight diminution of employment in factories in 1928–29 and 1929–30, it was not until June 1932 that the real crisis occurred. The effects of unemployment showed that the number employed in factories in Victoria was about 17 per cent less in 1930–31 than in 1929–30 (i.e., it fell from 151,009 to 126,016). Unemployment rose from 12,740 in 1929 to 22,448 in 1930. Generally it was the unskilled worker in both town and country who suffered, although in some industries skilled workers were retrenched. These circumstances necessitated government action to relieve the resultant distress. Finance for this was raised by the imposition of special taxes (in the first instance a stamp tax, later by annual assessment). Subject to an income test, sustenance was provided, based originally at 6s per week for an individual, with additional amounts for dependants. In September 1933 a scheme was inaugurated under which genuine unemployed males were, as far as possible, provided with some employment each week. At 30 June 1932, 47,098 family units were in receipt of sustenance; by 30 September 1932 this number had fallen to 39,069, by June 1936 to 14,723, by June 1937 to 12,008, and by June 1943 to 237. Every male person who had received sustenance was required on demand to perform work of a prescribed class for the municipality within which he received sustenance. At 30 June 1932, 1,034 recipients of sustenance were working and by June 1934 the number had increased to 21,127.

A marked recovery, with a consequent drop in unemployment, occurred between 1933 and 1939, despite a setback in 1938 and 1939. In July 1931, 52,166 males were registered as unemployed with the Government Labour Bureau. The maximum number of 61,214 was reached in July 1932 ; the number declined to under 15,000 by May 1937. As conditions improved employment began to rise and industry recovered quickly—employment in factories rose from 128,265 in 1931–32 to 191,383 in 1936–37, and by 1938–39 it had reached 201,831.

The outbreak of the Second World War in September 1939 caused great changes in the pattern of employment. Compulsory military training for home defence was re-introduced ; enlistment of a special force for service outside Australia began ; the Empire Air Training Scheme (resulting in the formation of new service schools in Australia and in the posting of recruits overseas for advanced training) was begun ; and generally Australia's manpower was planned for defence needs. With complete control of manpower after the commencement of the war in the Pacific in 1941 all efforts were directed to the successful prosecution of the war. By June 1943 729,000 were in the defence services and a further 54,758 were directly employed in munitions factories. In Victoria factory employment rose steadily, reaching a peak of 262,357 in 1942–43.

At 15 June 1938, 24 per cent of males and 43 per cent of females employed in Victoria in factories were under 21 years of age ; by 15 June 1947 the equivalent figures were 12 per cent for males and 26 per cent for females, and by 30 June 1952, 9 per cent and 19 per cent. Females were 33 per cent of those employed in factories in 1937–38, 32 per cent in 1944–45, 29 per cent in 1946–47, and 28 per cent in 1951–52. Of the total number of females in factories in 1946–47, 60 per cent were engaged in the textile and clothing groups of industries, 11 per cent in industrial metals and machines, and 12 per cent in the preparation of food and drink. In 1951–52 the equivalent figures were 57 per cent, 14 per cent, and 12 per cent, respectively.

The immediate post-war period was one of adjustment—about one million persons in Australia had to be re-absorbed into civilian employment after periods in the fighting services, munitions supply, the provision of service requirements, etc. Large numbers of displaced and stateless persons from Europe created further problems, but the disadvantages were offset by the benefits of increased population, including the staffing of public utilities. Their arrival saw an eventual rise in demand for commodities not previously produced in Victoria, resulting in the assimilation of some of these persons into new industries. War-time experience also laid the foundations for fields of manufacture not previously covered ; the numbers employed in factories rose from 265,757 in 1946–47 to 316,792 in 1950–51. At the same time the numbers registered as requiring employment fell away and the number of vacancies registered in Victoria stood at 49,453 at the end of June 1951. The 1951 financial controls to counter inflationary trends changed conditions considerably and by 1952–53 factory employment fell to 310,759 and the number registered as unemployed exceeded the number of jobs available. In 1946–47, 16,272 persons were granted unemployment benefits; in 1948–49 only 288 were granted the benefits. The number rose to 39,245 in 1952–53 but fell rapidly to 2,398 in 1954–55.

By 1953–54 factory employment had risen to 331,277, in 1959–60 it had reached about 383,000. By then building and production were expanding. The November 1960 credit restrictions had a pronounced effect on factory employment, particularly in the motor industry—employment in factories fell from 388,050 in 1960–61 to 378,349 in 1961–62, then rose again reaching 445,557 by 1967–68.

Applications to the Commonwealth Employment Service for employment in Victoria rose from 77,560 in 1947–48 to 103,601 in 1949–50, fell to 98,010 in 1950–51, but again rose to 144,391 in 1952–53. Falling to 111,261 in 1953–54 the number of applications again rose, reaching about 168,000 in 1958–59. In 1961–62 they rose to 232,770. By 1964–65 applications had fallen to 200,707, but by 1970–71 had risen to 291,000. By 1957–58 unemployment benefits granted numbered 26,378 and in 1961–62 the number rose to 72,201 after falling to 17,635 in 1959–60. By 1964–65 they had fallen to 11,394, and they stood at 32,653 in 1967–68, 20,038 in 1969–70, and 29,271 in 1970–71.

From 1947 to 1966 the building and construction industry showed a very large increase in employment, from 58,792 workers in 1947 to 108,876 in 1966, a rise of 85 per cent. Communications also absorbed increased employment from 14,596 to 29,838 (104 per cent), and in other fields of employment, finance and property increased by 135 per cent, commerce by 87 per cent, manufacturing by 68 per cent, and transport and storage by 16 per cent.

FACTORY LEGISLATION

The first Victorian factories legislation was " The Supervision of Workrooms and Factories Statute " which came into operation on 1 January 1874. It followed the developments in the 1860s and 1870s when factory employment rose from 4,395 hands in 1861 to 43,208 in 1881. The Act defined a " factory " as a place where not less than ten persons were employed for hire or reward in preparing or manufacturing articles for trade or sale, and restricted the working hours for females in such establishments to eight hours a day. Its administration was entrusted to local Boards of Health and factories were open to inspection by Board inspectors. The Boards could make regulations in respect of the numbers employed in any one room, for the warmth, ventilation, and cleanliness therein, and for the provision of sanitary requirements.

As factories began to increase in number and size, the Government and the Trades Hall Council became concerned at the incidence of employment in factories or private homes for long hours, low wages, and under poor conditions.

The practice of giving out work to persons to do or complete in their own homes was widespread, particularly in the clothing trades, and the conditions under which such work was performed were neither subject to the limitations nor the inspections of the Workrooms and Factories Statute. While some outworkers did this work by choice and others under the stress of circumstances, they and their families were in most cases working long hours in cramped and unsuitable, if not unhygienic conditions. Outwork also promoted the establishment of places which were not " factories " as defined in the Act. The strike by tailoresses in Melbourne in 1882, which highlighted the conditions of clothing workers, was in part responsible for the Factories and Shops Act of 1885.

This Act, which came into operation in March 1886, repealed the Supervision of Workrooms and Factories Statute and made a significant contribution to the improvement of working conditions, in respect of both health and safety. It provided for the appointment of inspectors to ensure observation of the new standards. The nature of some of the provisions of the 1885 Act will indicate their importance ; appropriately modified they appear in the *Labour and Industry Act* 1958. They were concerned with registration and inspection of factories, cleanliness and ventilation of factories, the provision of satisfactory sanitary accommodation, guarding of dangerous parts of factories and factory machinery, and intervals for meals. In addition, the working hours of any male under the age of sixteen years or of any female were restricted to forty-eight per week, and employment of a person under thirteen years of age in a factory was prohibited. Certificates of fitness had to be obtained for persons under sixteen years of age before they could be employed in factories, and the spread of hours of their employment was limited to between 6 a.m. and 6 p.m. The Second Schedule to the Act listed hazardous occupations at which young persons under specified ages might not be employed.

To supplement the 1885 Act, the Central Board of Health made regulations under the Act relating to the submission of factory plans for approval before registration, the installation of ventilation and of lavatory and sanitary accommodation, and the use of specified materials in the construction of some classes of factories.

Although the 1885 Act had required a factory occupier to keep a record of work given out and the name and address of the outworker, it was not until 1896 that the occupier of a factory employing outworkers could be compelled periodically to send returns of his activities to the Chief Inspector with whom outworkers were registered.

The Report of the Chief Inspector of Factories for 1897 stated that " . . . it was no uncommon thing to find dress-makers and one or two other classes of manufacturers carrying on business entirely with the aid of unpaid so-called ' learners '. As soon as the ' learner ' required a wage she was promptly sent away." In an attempt to stop this practice, the 1896 Act fixed a minimum weekly wage of 2s 6d for any person employed in a factory. This measure was only partially successful, as some factory owners then demanded a premium from parents which was returned to the " learner " at 2s 6d per week. This practice was prohibited in 1900.

The *Factories and Shops Act* 1896 contained other provisions which benefited not only the outworker but also the factory workers in the clothing and footwear trades, and which ultimately conferred the advantages of fixed rates of pay and standard conditions of employment on practically all types of industrial and other occupations. The provisions referred to were for the appointment of Special (Wages) Boards " to determine the lowest prices or rates which may be paid to any person or persons . . . wholly or partly preparing or manufacturing either inside or outside a factory . . . articles of clothing or wearing apparel. . . . "

The first Special Boards were appointed for the bread trade, the furniture trade, the clothing trade, the shirt trade, and the underclothing trade. The membership of the boards consisted of equal numbers of representatives of employers and employees, with an independent chairman. The appointment and operations of Wages Boards completed the prototype for the industrial regulations of today—minimum standards were required for registration of factories ; hours were restricted for women and young persons ; protection was provided against dangerous machinery and industrial processes ; and, finally, minimum wages were determined for a fixed number of hours of work.

The new industrial legislation did not win the immediate acceptance of all concerned. Some employees resisted the installation of machinery guards ; some factory owners manufactured large stocks before the Wages Board fixed a minimum rate, and then dismissed many of their employees ; and it was alleged that in the Chinese section of the furniture trade, employers and employees conspired together to defeat the law by making false and identical statements about wages. The initial difficulties were not unexpected and the amendments to the Factories and Shops Act and the Labour and Industry Act over the next 70 years are evidence that the various governments have tried not only to improve and expand the legislation, but also to correct anomalies.

The early Determinations of Wages Boards were very simple documents. The Bread Making and Baking Board fixed a rate of 12d per hour, restricted the number of apprentices to one to every three persons receiving the 12d per hour, fixed a minimum wage for such apprentices of 5s per week, and prohibited the employment of improvers under the age of eighteen years. By 1900 the Board had fixed rates for apprentices and improvers according to experience, and had set a 48 hour week. In 1913 the Board expanded the Determination considerably to include differential rates for tradesmen, e.g., a maker of Good Friday buns got 2s 6d per hour and the ordinary baker 1s 4d per hour. The weekly hours of work were reduced to 44 in 1927 and to 40 in 1948, and in the meantime the Determination had been expanded to include provisions for annual leave (1939), sick leave (1941), and a detailed chart showing the hours when persons could be employed at bread baking (1947). Provision for long service leave was first introduced in the *Factories and Shops (Long Service Leave) Act* 1953.

The introduction and maintenance of standards in industrial legislation requires not only the registration and inspection of premises, but also the means of enforcing the legislation and making evasions and other breaches uneconomic. The proprietor of a factory in 1874 was liable to a penalty for each offence he committed in employing females for more than eight hours per day. The 1885 Act introduced a variety of penalties including a fine for a parent of a person under eighteen years of age who was employed in a factory contrary to the provisions of the Act.

With the institution of the Wages Board system in 1896, it became necessary to provide penalties for failing to pay the minimum rate fixed by a determination ; fines ranged up to £100, with mandatory cancellation of factory registration for a third offence. This had a salutary effect on factory occupiers who were prosecuted for breaches of determinations, but was of little consolation to the employee who had to take separate civil action to recover arrears of wages. The *Factories and Shops Act* 1909 remedied this situation by providing that the court which had convicted the offender might also order the payment of arrears of wages for a period not exceeding 12 months.

Until 1915 the Factories and Shops Acts and Regulations and the Determinations of Special Wages Boards were administered by a section of the Chief Secretary's Department known as the Factories Office, but in that year a separate Department of Labour was created and the legislation mentioned as well as other Acts transferred to its administration.

When the Factories and Shops Acts were consolidated in 1928, all the current regulations made under the Acts were also consolidated. The first part set out the form of application for registration of a factory, the annual record of employees to be forwarded to the Chief Inspector, and provided for information about outworkers. Detailed building requirements covered construction, ventilation, lighting, stairs, fire escapes, fire extinguishers, and sanitary and lavatory facilities. In addition, the special requirements for factories where dangerous or noxious trades were carried out were greatly expanded.

Although the granting of certificates to engine-drivers and boiler attendants was a function of the Mines Department and the Board of Examiners (it is now a function of the Department of Labour and Industry), the regulations governing the issue of the certificates were made under the Factories and Shops Act.

A list of articles to form a first-aid kit for all factories where power driven machinery was running appeared before the section of the Act dealing with the guarding of machinery. The regulations concerning the guarding of machinery were the product of much investigation and experience, and dealt with the guarding of chaffcutting machines, belts and ropes for transmitting power, mincing machines, tanning machines, and in particular woodworking machines (such as circular saws and surface planing machines) and power presses. Emphasis was placed on the last two categories as they were most frequently associated with accidents. Finally, requirements were listed for the removal of dust from factories where grinding, polishing, or buffing was carried out.

The forerunner of the present Labour and Industry Act was the *Labour and Industry Act* 1953, which was largely the result of the work of the Board of Inquiry into the Factories and Shops Act, which sat intermittently from 1940 to 1949. The commencement date of the first Labour and Industry Act was 1 July 1954. This Act established the Department of Labour and Industry as it is today, and listed powers designed to secure the effective carrying out and the co-ordination of measures conducive to the industrial welfare of the people. Regulations made under the Factories and Shops Act up to 1954 remained in operation until they were replaced with new regulations made under the *Labour and Industry Act* 1958. Apart from the Labour and Industry Act, industrial legislation at present administered in the Department of Labour and Industry includes the Apprenticeship Act, the Bread Industry Act, the Boilers Inspection Act, the Industrial Safety Advisory Council Act, and the Lifts and Cranes Act.

INDUSTRIAL ARBITRATION AND CONCILIATION

Two systems of industrial arbitration and conciliation for the adjustment of relations between employers and employees exist in Victoria: the State system operating under the law of the State within its territorial limits, and the Commonwealth system applying principally to industrial disputes extending beyond the limits of the State.

Under Commonwealth law there are special tribunals to determine the industrial conditions of employment in the Public Service of the Commonwealth and in the stevedoring industry, and there is a joint Commonwealth and State tribunal for the New South Wales coal mining industry. There is also a flight crew officers industrial tribunal.

The relationship between the State and Commonwealth systems of industrial arbitration depends on the legislative powers of the Commonwealth and the States. Commonwealth powers in regard to industrial arbitration are defined in the Commonwealth of Australia Constitution Act; all residual powers remain with the States. The Constitution Act provides that a State law inconsistent with a valid Commonwealth law becomes inoperative in so far as it is inconsistent. An award of the Commonwealth Conciliation and Arbitration Commission has been held to be a Commonwealth law, and, in certain circumstances, awards of the Commonwealth industrial tribunal over-ride those made by State tribunals.

The Commonwealth jurisdiction is limited by the Constitution Act to " conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State ". In interpreting the law, the High Court of Australia has decided that the Commonwealth Parliament cannot empower an industrial tribunal to declare an award a " common rule " or industry-wide award to be observed by all persons engaged in the industry concerned.

Notwithstanding these limitations the Commonwealth system has gradually become predominant in the sphere of industrial arbitration throughout Australia. Its influence extended, in the first place, because of federation in trade unionism and in political organisation, a tendency which gathered force during the First World War period. As industry grew, uniformity of industrial conditions was sought by employers, while employees were attracted to the Commonwealth jurisdiction in the expectation of better terms as to wages, etc., than those awarded under State legislation. In many cases the organisations concerned in a Commonwealth award have sought to have its terms embodied in State awards to become binding as a common rule in the industry. Again, for the sake of uniformity, legislatures of some States, notably Victoria and New South Wales, adopted the Commonwealth wage standards as the basis of State awards and agreements.

In Victoria, Wages Boards, statutory bodies under the State Department of Labour and Industry, regulate and arbitrate on industrial matters. Wages Boards are established for specific industries or occupations ; a general board deals with certain trades not covered by determinations of the specific Wages Boards. A Board may be appointed for any trade or branch of it, and each Board consists of an even number of members and a chairman. Originally, each Board was composed of equal numbers of employers and employees, each representative being actively engaged in the trade concerned. This qualification was later extended in 1934 to include officers of appropriate organisations or associations as representatives of employers and of employees, or persons nominated to represent corporations or public bodies.

The *Conciliation and Arbitration Act* 1904–1972 defines an industrial dispute as " (*a*) a dispute (including a threatened, impending or probable dispute) as to industrial matters which extends beyond the limits of any one State ; and (*b*) a situation which is likely to give rise to a dispute as to industrial matters which so extends, and includes—(*c*) such a dispute in relation to employment in an industry carried on by, or under the control of, a State or an authority of a State ; (*d*) a dispute in relation to employment in an industry carried on by, or under the control of, the Commonwealth or an authority of the Commonwealth, whether or not the dispute extends beyond the limits of any one State ; and (*e*) a claim which an organization is entitled to submit to the Commission under section eleven A of the *Public Service Arbitration Act* 1920–1956 or an application or matter which the Public Service Arbitrator or a Deputy Public Service Arbitrator has refrained from hearing, or from further hearing, or from determining under section fourteen A of that Act, whether or not there exists in relation to the claim, application or matter a dispute as to industrial matters which extends beyond the limits of any one State ".

An extensive amendment to the Conciliation and Arbitration Act, assented to on 20 June 1956, altered the structure of the arbitration machinery by separating the judicial functions from the conciliation and arbitration functions. The Commonwealth Industrial Court was established to deal with judicial matters and the Commonwealth Conciliation and Arbitration Commission to handle the functions of conciliation and arbitration. Further amendments have since been incorporated.

During the 1880s Conciliation Boards of Employers and Employees were formed in Victoria to deal with labour disputes. They were constituted of representatives to the Employers Union and the Trades Hall Council, but a Bill to establish Councils of Conciliation failed because of opposition by the Trades Hall Council in 1884. An Act in 1891 was passed providing for the Councils but any awards made by them were not binding.

The Report of a Board of Inquiry on the subject of " sweating " in certain industries revealed a state of affairs so unsatisfactory that the Turner Government in 1895 considered that machinery was required for ensuring humane conditions of employment. The Act of 1895 provided for Wages Boards only in respect of the clothing, furniture, and bread making trades. It was not intended to control industrial relations as such but its success led to its extension to about 130 industries and to its development along lines seeking the prevention of industrial disputes. This Act represented the first example in Australia of legal regulation of wage rates. The Chief Secretary, Alexander Peacock, devised the system of appointing Boards of equal numbers of employers and employees, presided over by independent chairmen, in particular trades.

Until the early 1900s the wages of the majority of wage earners were not determined by industrial tribunals. In most cases wage rates were simply determined by collective bargaining or, where unions did not exist, by individual work contracts. In 1900 a Commission appointed to inquire into the working of the Wages Boards and of legislation on similar lines in other States reported adversely on the work of the Boards, but despite this the Wages Board Act was re-enacted in 1902. However, provision was made for appeals against the awards of the Boards to be heard by an Industrial Appeals Court created by the Act.

The Act of 1900 extended the operations of the Act to include all persons employed either inside or outside a " factory " or " workroom " and in 1903 the " Reputable Employers Clause " was written into the Act. It provided that Boards should establish average rates paid by reputable employers to employees of average capacity, and that in no case should the minimum rates fixed by any determination exceed the average rates so ascertained. The clause was removed in 1907.

During the 1890s, when a series of conventions was being held to frame the Commonwealth Constitution, the incidence of widespread labour disputes indicated the need for government intervention or control on a national scale. The success of New Zealand's compulsory conciliation and arbitration legislation, and the failure of the schemes of voluntary arbitration in New South Wales and of the Conciliation Councils in Victoria, caused a decision in favour of a system based on a single major tribunal applying conciliation and arbitration procedures in interstate industrial disputes. In 1904 the Conciliation and Arbitration Act was passed establishing the Commonwealth

Court of Conciliation and Arbitration, but applying only to industrial disputes extending beyond the limits of any one State.

In 1907 the principle of a living wage was enunciated in the " Harvester Judgment " and the principle was adopted by the Commonwealth Court of Conciliation and Arbitration for incorporation in its awards. At the time of this judgment (November 1907) only forty-three determinations in Victoria featured a minimum wage for unskilled workers and the doctrine of the living wage was not systematically considered or applied. The period 1907 to 1921 saw an increase in wage determining tribunals to cover the majority of wage earners throughout the State. At the same time the principles of the living wage were clarified. By December 1921 there were 170 Wages Boards existing or authorised. By an amendment of the law made in 1922 the Boards were empowered to provide that in all trades carried out in factories or shops, a person working fewer hours than those fixed for an ordinary week's work should be paid from 33 to 50 per cent above ordinary wage rates for the first half of such a week's work.

An amendment to the Factories and Shops Act in 1934 gave Wages Boards discretionary powers to include relevant provisions of Commonwealth awards. A further amendment in 1937 made it compulsory for Wages Boards to adopt these provisions and empowered them to adjust the basic wage in accordance with the retail price index published by the Commonwealth Statistician, as the Boards considered appropriate. The Commonwealth Court of Conciliation and Arbitration discontinued automatic adjustments of the basic wage in 1953 ; legislative amendments allowed Wages Boards to continue these until August 1956. After this date Wages Boards resumed the practice of incorporating the Commonwealth rate.

The *Labour and Industry Act* 1958 (in general, a consolidation of the previous Acts) required that every Wages Board should, in determining wage rates or piece work prices, take into consideration relevant awards of, or agreements certified by, the Commonwealth Conciliation and Arbitration Commission ; powers similar to those incorporated in the Commonwealth Conciliation and Arbitration Act relate to wages and conditions of labour. These powers enabled Wages Boards to make determinations concerning any industrial matter whatsoever in relation to any trade or branch of trade for which such a Board has been appointed.

In 1967, after the Commonwealth Conciliation and Arbitration Commission decided to eliminate the basic wage and margins from its awards and to introduce the total wages concept, Victorian Wages Boards also deleted wages and margins and introduced the total wage concept.

Wages Boards are not empowered to determine any matter relating to the preferential employment or dismissal of persons because of membership or non-membership of any organisation, association, or body. Appeals against the determination of Wages Boards may be made to the Industrial Appeals Court, a Court first set up in 1903. Such appeals must be made by the employer's or employee's organisation or by a majority of the employer or employee representatives on the Board concerned. In addition, any person may apply to the Supreme Court to have a determination quashed on grounds of illegality.

The Minister of Labour and Industry is empowered by the *Labour and Industry (Amendment) Act* 1960 to intervene in the public interest in any appeal to the Industrial Appeals Court against a determination of a Wages Board. Further, as consumers are not represented on Wages Boards, the Act also authorises the Minister to refer, under appropriate circumstances, the determination of a Wages Board to the Court. Where a matter requires to be determined by ten or more Wages Boards the Minister may refer the matter to the Industrial Appeals Court under the provision of the *Labour and Industry (Amendment) Act* 1965. This provision was extended by the *Labour and Industry (Amendment) Act* 1966 which empowers the Minister to refer any residue of less than ten applications to the Court. The aim of the amendments is to remove the necessity to convene individual meetings of the Boards in such cases.

INDUSTRIAL STOPPAGES

Stoppages were rare in Australia in the first fifty years although there are some instances of convicts taking some strike action.

In New South Wales the Master and Servant Act of 1828 provided that the penalty for leaving a job in breach of contract of service should be forfeiture of wages due, together with six months' imprisonment. In 1829 compositors on the newspaper *Australian* struck against a reduction of real wages and during the 1830s various small groups of city workers struck, usually on wage issues. The amended Master and Servant Act of 1840 was partly in response to this unrest. Conspiracy to raise wages or otherwise to improve conditions of employment became punishable by imprisonment.

The first recorded stoppage in Victoria was a strike of " tonguers " in the whaling trade at the Henty whaling establishment at Portland in 1835. It was suppressed by a show of strength by Edward Henty who threatened to use outside labour.

During the 1850s a number of stoppages was held against employers who refused to grant 8 hour day and 48 hour week concessions. The stonemasons in Melbourne struck to achieve an 8 hour day in 1856, and with other unions inspired to claim similar benefits, there was a general growth of union activities. In the mid-1870s the first strike in the history of the Victorian Railways Department occurred over conditions of overtime and non-payment for extra work. This strike was settled when the workers' requests were granted. There were also strikes for an 8 hour day by miners, government labourers, tanners, saw-millers, blacksmiths, and wheelwrights.

During the 1880s trade union organisation spread to light industries, and was often followed by strikes ; there was a strike of tailoresses in Melbourne, and a 3 month strike of boot trade workers in Melbourne was finally settled by a committee of representatives of the employers and the Trades Hall Council. Because of the centralised trade union development of the 1880s strikes which would previously have remained localised now tended to become colonial and inter-colonial.

The major issues of the maritime strike of 1890 were the union demands for recognition of unionism and the employers' demand for freedom of contract. This strike involved transport workers, miners, and shearers in the eastern colonies and in South Australia and New Zealand. The unions were defeated, and in all cases the men returned to work on terms imposed by or acceptable to the employers.

The defeats of the unions in the maritime strike and also in the shearers' strikes in the early 1890s encouraged the unions towards direct political action, and the formation of a " labour party " so that legislation could be introduced for the benefit of the " working class " and to prevent the resources of the Colony being used in support of the interests of the employers.

In 1903, when the Victorian Government insisted that railway unions were not to be affiliated with the Melbourne Trades Hall Council and threatened the dismissal of unionist employees, a 7 day strike occurred. A Strike Suppression Bill was passed which provided heavy penalties against strikers, and the unions were forced to capitulate.

In 1913 the Commonwealth Bureau of Census and Statistics initiated the collection of information on industrial disputes involving a stoppage of work. However, the collection excluded disputes involving less than ten work people, or those lasting less than one day except where the aggregate number of working days lost exceeded 10 days. Effects on other establishments were not measured.

In the period to 1923 there was a series of strikes, especially in the transport, mining, building, and maritime industries. A record 40,000 workers were involved in stoppages in 1920. In November 1923 approximately one third of the Victoria Police went on strike for a week because of the appointment of special supervisors to maintain secret surveillance of police on duty. The passing of a Public Safety Bill granting the Government emergency powers resulted in the dismissal (without re-instatement) of 636 police out of a total of 1,820.

In 1929 the average number of days lost per worker involved in strikes was at a peak of 60 days. There were stoppages of miners and timber workers, and stoppages occurred in the building industry; building was suspended from April until a conference reached a settlement in June. Widespread unemployment and the weakness of major unions during the depression years led to a period of relative peace which mostly extended into the war years. However, there was a 4 month stoppage at the State Coal Mine at Wonthaggi in 1934 and two 13 week stoppages in 1938, one of State Electricity Commission workers and one of timber workers. A serious stoppage occurred in 1940 when coal miners in Victoria, New South Wales, Tasmania, and Queensland struck for 10 weeks over demands for a 40 hour week (with no consequent reduction in wages) and for the removal of a penalty clause in their award relating to the taking of annual leave.

In 1946 engineering unions went on strike for increased wages. This strike spread to other unions and resulted in a 9 day train and tram stoppage. Although only 7,934 workers were involved in disputes in 1947 the average working days lost per worker was 42 days. In 1949 there was a 59 day tram stoppage, and a general coal strike affected the stevedoring industry. A 55 day rail stoppage in 1950 followed the refusal of the Conciliation Commissioners to vary awards and conditions and there was a further one day stoppage in 1951 for the same reason.

In the 1950s and until the mid-1960s there were a considerable number of stoppages on the waterfront: in 1954, 27,573 workers lost 69,038 days; in 1955, 20,833 workers lost 26,391 days ; in 1960, 41,065 workers lost 60,819 days ; and in 1964, 46,403 workers lost 49,374 days.

Other disputes in 1964 involved 143,667 workers and occurred mainly in the engineering and metal trades (55,960 workers), and the transport industry (44,000 workers). In 1965 stevedoring stoppages accounted for 48,936 lost days, and stoppages in the food, drink, and tobacco industries cost 63,460 days. In 1967, although only 8,566 working days were lost involving 14,288 workers in the stevedoring industry, there was considerable unrest in the engineering and metal trades involving 47,022 workers who lost 52,215 days.

The number of disputes has increased greatly—from 29 in 1913 to an average of 343 per year for the 5 years ended 1971. The number of workers involved in disputes reached a peak of 380,100 in 1971 but each worker involved averaged only 8 days lost. Most days were lost in 1929 (1,296,676) and 1950 (1,208,365), while the average working days lost per worker involved was also highest in 1929 at 60 (16 in 1950).

TRADE UNIONS

The first permanent industrial unions of workers were formed after the discovery of gold. Prior to that there existed organisations such as benefit societies and combinations of workmen, and earlier still convicts had attempted to form organisations to obtain higher wages and increased rations. Most of the earliest unions were formed in the building and printing trades. The Operative Stonemasons Society was established in Melbourne in 1850 and was followed by other societies. The main objectives of the early unions were to protect the interests of their particular trades and to limit the working week to 48 hours. In Melbourne the demands of the individual unions were co-ordinated by the Eight Hours League.

In 1856 the " Operatives " Board of Trade was formed in Victoria among building trades to advise unions in disputes with employers, and in that year the 8 hour day was recognised for the building trades. Also in 1856 the Melbourne Trades Hall Committee was formed for the purpose of securing a central meeting place for the various unions, although no permanent delegate committee came into existence until 1879.

Between 1860 and 1871 a marked decline in wage rates caused wage claims to feature in union demands, and the question of the admission of Chinese, particularly in the mining and furniture industries, assumed importance. During the 1870s common interests in industrial legislation, the growth of inter-colonial trade and the protection of the seamen engaged in it, and the objection to State-aided European immigration and to the admission of Chinese encouraged national union development. Many disputes, mainly concerning higher wages or shorter hours, took place, and trade unions developed through the organisation of large numbers of unskilled and semi-skilled workers.

In 1872 a Miners Association was established in Bendigo to secure an 8 hour shift, to resist attempts to reduce wages, to oppose the admission of Chinese, and to promote legislation for the regulation of mining. After a strike at Stawell in the same year the miners obtained the 8 hour shift. In 1874 at a conference of miners' unions held at Bendigo, the Amalgamated Miners Association of Victoria was formed. Recommendations by it were incorporated into the Regulation and Inspection of Mines and Machinery Act of 1877. The Seamen's Union was established simultaneously in Sydney and

Melbourne in 1874, and after a strike several years later an agreement was made with the ship owners to limit the number employed. The Melbourne Waterside Workers Union was formed in 1882.

The first Australian conference of trade unions was held in Sydney in 1879 and twenty-four unions with a membership of 11,087 were represented. Resolutions were passed on subjects including factory and workshop legislation and shipping laws.

In 1882 William Guthrie Spence, secretary of a Victorian gold miners' association, set out to unite all miners. By 1890 he had succeeded and branches of the Amalgamated Miners Association (A.M.A.) existed in all colonies. He also helped organise the Amalgamated Shearers Union (A.S.U.), whose formation was encouraged when pastoralists in 1886 attempted to reduce shearing rates and to impose conditions unacceptable to shearers in Victoria. These two unions were unions of semi-skilled or unskilled workers whose activities spread both inter-colonially and intra-colonially, and they saw themselves as representing a class rather than a trade.

Over this period unions were seeking legal recognition since the English laws of 1824 and 1825 (to which they were subject) gave them freedom to combine but construed combinations in restraint of trade as unlawful and consequently union funds as unprotected. Arrangements for the protection of trade union funds were coupled with the *Criminal Law and Practice Amendment Act* 1871 which provided severe penalties for picketing, etc. In 1884 a Trades Union Act was passed in Victoria recognising unions as lawful bodies capable of holding property, placing them on a par with other organisations, and providing for voluntary registration. The Act was amended in 1886 and a consolidating Act was passed in 1890.

Although the first unions were non-political, many of their members were prominent in political organisations, and the fact that Members of Parliament were paid in Victoria from 1870 helped make political representation feasible. Union efforts in supporting Parliamentary candidates had resulted in two Labour representatives being elected in 1876.

During the 1880s Conciliation Boards of employers and employees were formed with representation from the Trades Hall Council and employers' unions, but a Bill in 1884 to establish Councils of Conciliation failed because of the opposition of the Trades Hall Council. An 1891 Act set up the Councils but any awards they made were not binding.

The second Australian Trade Union Congress took place in Melbourne in 1884 and decided to form a Parliamentary Committee in each colony to assist in passing through Parliament measures for the benefit of labour and to obtain direct representation in Parliament. Two constitutional reforms were urged, namely, " one man one vote ", and the payment of Members of Parliament wherever this had not been adopted. Approximately 33,700 unionists were represented. The third congress in 1885 adopted a scheme for the federation of trade unions throughout Australia. The fourth congress in 1886 unanimously adopted a motion that the several trades and labour councils should form an electoral programme and that any candidate who did not adhere to that programme should not receive the support of the labour group. Altogether eight congresses were held before Federation.

The defeat of the unions during the maritime strike of 1890, the consequent loss of prestige and members, and government action then and during the shearers' strikes of 1891 and 1894 led to a union attempt to establish a " labour party ". In 1891 twenty-nine members were returned on the party platform in New South Wales.

From 1891 to 1895 only about ten new unions were established in Australia, the growth of unionism being interrupted by a series of strikes and lockouts including those mentioned above. However, in the period of increasing prosperity and industrial activity from 1896 to 1900, fifty-seven new unions were organised. The first Commonwealth Trade Union Congress was held in 1902. Then, and again in 1907, a scheme for an Australian Labour Federation was drafted and a Federal Executive Council was appointed, but the scheme was not adopted until 1913. Unions were encouraged by the arbitration system to arrange federations or amalgamations across State borders as a means of bringing themselves under the jurisdiction of the Court and by 1917 there were ninety-four interstate unions with a membership representing 81 per cent of total union membership. In Victoria there were 156 separate unions, 353 branches, and 148,700 members.

Between 1914 and 1920 there was a period of industrial unrest marked by many strikes. Militant unions were stimulated and a rise in unemployment due to economic and political crises followed the end of the war. Union membership rose by 35 per cent. A trade union congress in 1921 re-defined the Labor Party's aims as including the socialisation of the means of production, distribution, and exchange.

In 1927 the Australian Council of Trade Unions (A.C.T.U.) was established. Great unrest occurred in 1929 just before the onset of the depression and prolonged strikes were held by miners and timber workers. A proposal by the Commonwealth Government to repeal the Commonwealth Conciliation and Arbitration Act, thus withdrawing from the field of industrial arbitration except in the maritime and waterside industries, failed when the Bruce-Page Government was defeated in 1929.

During the depression the number of Victorian unionists declined from 247,618 members (in 1927) to 195,089 members (in 1933). The number of disputes also declined, although there were 1,296,676 working days lost in 1929 mainly due to building trades disputes. The majority of strikes were decided in favour of the workers. When economic conditions improved, union membership and disputes increased but membership did not reach the 1927 level again until 1941. Unions concentrated on securing shorter working hours and an increased basic wage. During the Second World War, after certain initial problems, some co-operation developed between the Government and the unions but this alliance only partially extended after 1945.

Between 1946 and 1954 union members as a percentage of wage earners grew from 49 to 53 per cent in Victoria. While wage issues were dominant, the question of compulsory arbitration was raised, and the idea received support of linking wages and productivity more directly and scientifically than previously. By the mid-1950s the unions emphasised policies to provide higher wages without consequent unemployment or inflation. In 1953 the Australian Congress of Trade Unions gave limited recognition to the principle of incentive payments.

The 1957 Federal Conference of the Australian Labor Party decided to substitute " preference for unionists " for " compulsory unionism " as an industrial aim of the party. In Victoria legislation prohibits Wages Boards from determining any matter relating to the preference of employment or dismissal of persons as being or not being members of an organisation, association, or body. In recent years there has been a tendency for unions to concentrate resources on the " work value " method of wage fixation although still campaigning for the reduction of total working hours, increases in paid annual leave, equal pay for women, and security of employment.

As the industrial organisations grew in size and complexity the unions tended to develop specialist staff, and the importance of education and training at all levels of union activity became recognised. Although total union membership has continued to increase (to 545,500 in 1967) the number of separate unions has decreased to 152 and union members as a proportion of total wage and salary earners has also decreased to about 49 per cent. Women members in 1971 accounted for 23 per cent of all unionists (in 1912 the figure was 5 per cent), but only about 37 per cent of all women wage and salary earners were union members in contrast to 56 per cent of males. About 39 per cent of unionists belonged to unions covering the manufacturing industries, but as the proportion of the population engaged in professional, administrative, and clerical groups has increased, the traditional forms of union organisation have tended to alter.

EMPLOYERS' ASSOCIATIONS

Employers' associations first appeared in Victoria in the 1850s, notably in the building trade and the coachbuilding industry ; their main purpose was to resist pressure for an 8 hour day by the early trade unions. Permanent associations of employers did not appear until the 1870s. The Master Builders' Association dates from 1875 and the Victorian Chamber of Manufactures from 1877, the latter body being formed with the objective of influencing tariff policy and factory legislation, as well as resisting the 8 hour day agitation. These two bodies were followed within a few years by the Victorian Employers' Union, which later changed its name to become the Victorian Employers' Federation.

A stimulus to the formation of employers' associations in Victoria was the establishment of the Wages Board system. Associations of Master Wheelwrights and Blacksmiths, Master Drapers, Master Hairdressers, and Master Grocers followed closely upon the establishment of Wages Boards in their respective trades. Employers had to unite in order to nominate their representatives on the Boards. Since 1934 paid officials may represent employers, and many associations have nominated officers of the Chamber of Manufactures or of the Victorian Employers' Federation as their representatives.

Employers' associations in Victoria may be divided into three groups. One group is constituted by the Victorian Chamber of Manufactures, together with a small number of affiliated associations. The Chamber, with 6,500 members from about 200 industry sections, is incorporated as a company limited by guarantee and is administered by a council of 140 members. Its secretariat acts for the various sections before both State and Federal industrial authorities. Besides industrial matters, it takes part in proceedings before the Tariff Board. It also operates a subsidiary insurance company, and has developed advisory commercial services for its members.

A second group is constituted by about eighty associations affiliated to form the Victorian Employers' Federation, an incorporated body registered with the Commonwealth Concilation and Arbitration Commission. In addition, about 2,000 firms, mostly in the building, distribution, and service trades, are members of the Federation. Several primary producers' unions are also affiliated with the Federation, as are also some federations of smaller and more specialised bodies. The Federation provides secretarial services for some of its members' associations and undertakes industrial services for others. It has been active in organising training courses in business administration and secretarial work, in providing advisory services on financial matters, and in sponsoring various community services and movements for economic development. It also operates a subsidiary insurance company for members of its affiliated associations.

Third, there are employers' associations such as the Victorian Showmen's Guild and the Electrical Contractors' Federation not affiliated with either the Chamber or the Federation. In the case of some associations the absence of affiliation is caused by ties with corresponding associations in other States. A few are actually branches of Australia-wide associations. These associations with interstate affiliations are frequently concerned with Commonwealth industrial jurisdiction, rather than with the Victorian Wages Boards, and most of them rely on their federal secretariats to represent them before the Commonwealth tribunals, since very few specifically Victorian associations are registered for this purpose. In addition to the Chamber of Manufactures, the Victorian Employers' Federation, and the Automobile Chamber of Commerce, other Victorian employers' associations are registered with the Commonwealth Conciliation and Arbitration Commission.

Unlike the trade union movement, employers' associations lack any central representative organisation in either the Federal or the State sphere. The Victorian Employers' Federation, the Chamber of Manufactures, and many individual associations are affiliated with corresponding bodies in other States, but their federal organisations remain independent of one another, although they may co-operate on particular issues.

10

SUPERANNUATION

British background

The Industrial Revolution changed the British economy over a period of years by introducing new methods of organising labour to increase its productivity. A result of the change was that young family members seeking employment were drawn into the new industries in urban areas and this caused a breakdown in the interdependent membership of rural family units. Although considerable difficulties must have been experienced by the older family members who remained on their farms without their children's traditional support, the major social problems eventually were to be felt by the new generation of urban dwellers who, when they in turn became too old or too sick to work, had no farm or family to support them.

The position of the older urban dwellers was made more difficult by an abundant supply of labour at that time, with employers preferring healthy young males to fill the available jobs. Wages were at a low level, permitting practically no savings by employees, and their taxable capacity to provide social service assistance for the needy was very limited. Moreover, a person who sought relief under the Poor Law Acts was regarded almost as a social outcast.

A natural outcome was that an employee who became too old or too sick to work would, if he had a compassionate employer, be kept on the pay-roll or provided with a pension ; otherwise, with no means of support, he and his family would have been destitute. Thus, pensions came to be granted by an increasing number of employers, and employees came to expect them as a long service right. Indeed, the increased volume of goods and services which became available from the more efficient use of labour and capital (a direct result of the Industrial Revolution), made possible the wider adoption of pension schemes.

Although there had been earlier self-help co-operative arrangements through guilds and friendly societies, and by grants from charitable organisations, amongst the earliest and most important plans were, for widows, the plan established in 1744 for the widows of the ministers of the church and professors in the universities of Scotland, and for employees, the plan established in 1834 for retirement benefits for members of the English Civil Service. The latter plan provided a male member on retirement at age 65 after 45 years' service, with a pension equal to two thirds of his salary. The member was not required to make any contributions for his pension.

At the same time as these social and economic changes were taking place the medical profession was achieving significant success in its efforts to increase the expectation of life, which was then very low by today's standards. This progress, however, was aggravating the existing social problem of providing for the aged, and seems to account in some measure for the rapid development in superannuation which followed.

Developments to 1920

Victoria was the first State in Australia in which a superannuation scheme was established. In 1862 the Victorian Civil Service Act was passed to provide male public servants on the classified list, and a few railway officers, with non-contributory pensions of two thirds of the average last three years' salary on retirement at age 60 after 40 years' service. Pensions under this Act were abolished in 1881 by the Public Service Act.

In December 1884 pensions were granted by the Public Service Act of 1883 to every person appointed to the public service before 24 December 1881, whether classified or not, and to every permanent officer of the railways appointed before the passing of the Railways Act of 1883. Under these two Acts, a newly appointed officer of the public service or of the railways was required to effect a life insurance policy for a sum assured equal to the maximum annual salary of his class. This left those who were appointed between 1881 and 1884 (in the Railways, between 1883 and 1884) without pensions or life insurance; they became known as " twilighters " ; those " twilighters " surviving in 1926 (approximately 400) became eligible for superannuation benefits under the Superannuation Act passed in that year.

In the private sector, large organisations were tending to replace the personal employer, necessitating the establishment of formal relationships all round. Superannuation schemes known to have been established by some of the large organisations operating in Victoria in this period to 1910 were set up by the Union Bank of Australia Ltd (since merged into the A.N.Z. Banking Group Ltd) in 1861, the Bank of New South Wales in 1862, The National Bank of Australasia Ltd in 1874, the Bank of Australasia Ltd (since merged into the A.N.Z. Banking Group Ltd) in 1880, the Australian Mutual Provident Society in 1889, the English, Scottish and Australian Bank Ltd (since merged with the A.N.Z. Banking Group Ltd) in 1898, and The Commercial Bank of Australia Ltd in 1905.

There is no published information to suggest that schemes in the Victorian private sector had any major financial problems. In Britain, however, many employers in this period had not been funding their superannuation liabilities correctly. They had seen their funds growing at a very rapid rate, with relatively small amounts of benefit pay-outs, and took the view that excessive provisions were being made.

Thus, a number of British schemes fell into financial difficulties, in particular those of certain railway companies, and a governmental inquiry was held into their affairs in 1910. The lessons learnt from this inquiry and from papers written by leading actuaries at the time clearly showed the very high cost of providing the pensions which had been offered under the relevant schemes, and the importance of setting aside adequate reserves in respect of each employee during his service in order to meet the liability for his pension when it fell due. The high cost of pensions which had to be met by employers came to be understood, and in order to provide the highest possible payments on retirement or invalidity, and for the support of a member's dependants on his death, it was appreciated that the benefits payable in other circumstances, such as on voluntary resignation, had to be kept at the lowest possible levels. Most employers also required employees to make contributions for their pensions.

Much credit is due to the designers of the early pension plans which had been developed before 1900 on a basis now known as a " benefit promise " basis. Under this basis, the benefit payable is usually based on the employee's average salary throughout his service (or his average salary in the last few years of his service) and the period of his service. As the benefit is defined (or promised), the contributions necessary to meet its cost must vary according to the fund's experience.

The ability to save for superannuation purposes was seriously disturbed by the First World War, and the few new schemes known to have been established in this period were the State Superannuation Fund of New South Wales in 1916, the scheme of the Commonwealth Bank of Australia in 1916, and that of the National Mutual Life Association of Australasia Ltd in 1917. The Commonwealth income tax enactment in 1915 provided allowable deductions of up to £50 to employee–taxpayers for personal contributions to a superannuation fund. Employers were also allowed tax deductions for contributions made for the benefit of their employees.

The benefit and contribution structure of the new New South Wales State Fund (incorporating new and important principles developed by the Irvine Committee), which Victoria followed, was based on units of pension of £26 per annum for each £52 of a member's salary within specified salary limits. Members made contributions to provide £13 per annum of each unit. Pensions were payable to members on retirement at age 60 or on earlier invalidity. On death, whether during service or after retirement, a member's widow (if married to him before he retired) was paid one half the member's pension, together with allowances for each child under age 16.

Women in industry were being provided for in a few of the new schemes, which admitted both males and females to membership. Pensions to females in the new government schemes were generally available on invalidity and on retirement, sometimes at a retirement age 5 years younger than for males ; the contribution rates payable by them were based on different scales than those for males.

The first superannuation scheme underwritten by an Australian life office appears to have been established in 1917 for the employees of Marcus Clark Ltd by the Colonial Mutual Life Assurance Society Ltd. Retirement benefits were available in the form of pure endowment policies with death cover under whole of life policies.

Inter-war period

After the First World War both public and private organisations endeavoured to improve standards of living and conditions for retired employees and dependants through social service benefits and superannuation. The maximum taxation deduction for personal superannuation was increased in 1922 from £50 to £100 to employee–taxpayers and was extended to taxpayers who were not employees, if their taxable incomes did not exceed £800 per annum.

As skilled labour was becoming very scarce in the 1920s, some employers saw superannuation schemes as a means of discouraging the voluntary resignation of their employees. During this decade, inflation was becoming a serious problem, and whereas most of the plans established previously provided pensions at retirement based on an employee's average salary throughout his service, it was recognised that pensions had to bear a reasonable relationship to the final salary or the final average salary in the last few years of an employee's service. Many leading companies established superannuation schemes during this period, but few, other than governments, provided adequate pensions on invalidity. In the government schemes, the pensions on invalidity were the same percentages of the member's salary as were payable on retirement at age 60 or 65. Schemes established during this period included the following employers * : Commonwealth of Australia (1922), City of Melbourne (1922), Colonial Mutual Life Assurance Society Ltd (1925), State of Victoria (1926), Melbourne and Metropolitan Board of Works (1926), The Broken Hill Proprietary Co. Ltd (1926), ICI Australia Ltd (1926), Conzinc Riotinto of Australia Ltd (1928), Broken Hill Associated Smelters Ltd (1928), North Broken Hill Ltd (1928), Broken Hill South Ltd (1928), and the State Electricity Commission of Victoria (1930).

During the depression, little thought could be given to superannuation or to saving for retirement. Moreover, unemployment was so rife that employers had no need to rely on superannuation schemes to stop employees from leaving for better jobs.

As the worst effects of the depression subsided, jobs became more plentiful and many of the salaries cut in 1931 were restored by 1936. Improved conditions enabled the community to think again about saving money for superannuation, and in 1938 the National Health and Pensions Insurance Act was passed by the Commonwealth Government, though never implemented.

By 1933 all the major Australian life insurance offices had commenced underwriting superannuation schemes. Non-medical business was extended to superannuation schemes in order to facilitate the acceptance of this class of business. Although most of the early schemes issued by life offices were in the form of endowment assurance policies, some employers preferred benefits based on deferred annuities, payable on retirement, with lump sums payable on death in service before age 65, and a few of this type of scheme were written before the Second World War. In 1936 the maximum taxation deduction of £100 for each taxpayer was changed to include personal contributions to superannuation funds and life insurance premiums.

Post-war period

Very few new schemes were introduced during the Second World War. Community interest in superannuation and social security, however, was soon renewed after the war and the earliest new schemes established were the Victorian Hospitals Superannuation Fund in 1945, the Broken Hill Mine

* These employers are shown by their titles in 1972.

Employees Fund in 1946, and The Broken Hill Proprietary Co. Ltd female scheme in 1947. In 1944 employers were allowed to deduct from their assessable income their contributions to their staff superannuation funds, up to £100 or 5 per cent, whichever was greater, of each employee's salary, with the Taxation Commissioner being given discretion to approve larger amounts.

Before 1945 many private sector employers had taken the view that as most females would marry, it was not generally necessary to provide for their superannuation. Some employers were providing pensions outside their formal superannuation schemes for the few female employees who reached the retirement age. This meant that any female employee who was likely to remain in service until her retirement age would have to depend on her employer's goodwill at the time of her retirement for payment of whatever pension he might choose. However, the increased demand for female labour during and after the war emphasised the fact that it is as important for females as for males to have their pensions secured by a trust deed and a fund.

Between 1948 and the early 1950s there was a high rate of inflation and the salaries of many employees doubled. Some large organisations conducting " benefit promise " schemes contributed £1m to £1.5m to restore the actuarial solvency of their superannuation funds and, in addition, increased their contribution rates. The lessons learnt from the British 1910 governmental inquiry had not passed unheeded. Inflation was also seriously affecting pensioners, many of whom, finding great difficulty in maintaining their accustomed standard of living because of the reduced purchasing power of their pensions, were exerting pressure on their former employers for increases. In the Victorian State Fund, the pension unit, which had remained unchanged at £26 since the Fund's establishment in 1926, was accordingly increased as follows :

Date of increase	Particulars
2 January 1948	Pension unit increased to £32.10.0 per annum
30 June 1950	Pension unit increased to £39 per annum
3 April 1953	Pension unit increased to £45.10.0 per annum
4 March 1955	Pension unit for first four units, where total number of units was less than ten units, increased to £52 per annum
30 December 1960	General increase in pensions to offset cost of living increases prior to 1 January 1956, in respect of pensions up to the maximum scale of £364.10.0 per annum
30 November 1962	General increase in pensions due to rise in maximum number of available units to persons currently being employed by the State, with corresponding adjustments being made to relevant pensioners
1 April 1966	General increase in pensions to offset cost of living increases prior to 14 July 1961
16 January 1970	General increase in pensions to offset cost of living increases prior to 1 July 1967

In the Commonwealth and some other State funds, the changes made have been similar. The Commonwealth Government, which was the first to make the change, increased the pension unit from £26 to £32.10.0 per annum in 1947.

A State Government employee in Victoria has never had to contribute for more than $26 per annum of each pension unit. This means that, whereas the Government and members were each initially responsible for one half of the cost of each pension unit, as a result of the subsequent adjustments an employee is now meeting a maximum of two sevenths of the cost.

In 1950 the maximum allowance to taxpayers for their personal superannuation contributions, etc., was increased to £150, and in 1951 it was increased to £200, including personal contributions to medical and hospital benefit organisations. The allowance to employers was also increased in 1953 to £200 or 5 per cent, whichever was greater, of the employee's salary, with the Taxation Commissioner still having discretion to allow larger amounts. The period since 1945 has been characterised by very low rates of unemployment and employers have adopted various welfare and benefit schemes, including superannuation, as a means of attracting and retaining employees.

In the 1950s and the early 1960s the retirement benefits which became payable in this period, where based on a member's average salary throughout service or on fixed money terms, were very obviously inadequate in relation to the member's final salary, due to the severe inflation being experienced. Inflation was also causing substantial increases to occur in the market prices of some ordinary shares and of property. These various factors resulted in the benefit redesign of many superannuation schemes and in an increased proportion of funds being invested in ordinary shares and property. Some employers considered themselves unable to accept the liabilities of a " benefit promise " scheme based on final salaries which were increasing at unprecedented rates ; at the same time, schemes which offered direct participation in the increasing market values of ordinary shares were found to have appeal to employees. Thus, many of the new schemes established in this period in the private sector were designed on a " contribution promise " basis. In these schemes, the employer (and employee, in most cases) contribute specific fixed percentages of the employee's salary from time to time on the employee's behalf, and the contributions of both, together with interest earnings, and capital appreciation (less depreciation) on the fund's investments, accrue for the direct benefit of the employee on his retirement.

In " benefit promise " schemes, benefits increase automatically in conformity with increases in salary levels, with the greatest proportion of the extra cost thus generated usually having to be met by the employers. In the " contribution promise " schemes adopted in this period, the expected retirement benefits were generally turning out to be unsatisfactory because, in the early 1960s and subsequently, the market prices of some ordinary shares had begun to fluctuate widely and unpredictably. Furthermore, amendments made to some of these schemes to correct the anomalies emerging in their retirement benefits were still not able to achieve retirement benefits which were consistent multiples (as between employees with the same periods of service) of their final salaries. In particular, in the " contribution promise " plans, the retirement benefits to lower paid employees were tending to be higher multiples of their final salaries than those to higher paid employees.

These higher paid employees could not have been expected to allow this situation to continue and towards the end of the 1960s there was a tendency for private sector plans of this type to be changed to " benefit promise " plans, with a preference for lump sums.

The preference for lump sums is certainly influenced by the relatively more favourable income tax treatment these receive, as compared with pensions, as well as by the ready manoeuvreability of lump sums to conform with the Commonwealth's Social Service Act for the maximisation of benefits thereunder. In addition to these two factors, there appears to be a fascination with lump sum benefits, probably because the retired employee wants his family to be assured of receiving an estate from him on his death. But there can be disadvantages for a person, accustomed to receiving a regular weekly income during his working life, who receives a lump sum as an alternative to a continued regular pension income after he ceases working. This is so particularly if the retired employee has not available to him reliable family support and, in order to produce an income from his lump sum, is required in his declining years, to cope alone with its investment and the related complexities with which he could scarcely be expected to have had the necessary technical experience.

In most government schemes, also, the benefit design has tended to favour lower paid employees, insofar as the highest paid employees are paid pensions which are lower percentages of their final salaries. There is, however, a set-off to this differential in the case of government employees, first, due to the very limited (if any) commutation allowed by government schemes which would enable any significant income tax advantage referred to above to be gained and, second, due to the Australian progressive tax system under which, in general, the percentage fall in the spending power of a high salaried employee, represented by his pension net of tax, as compared with his salary immediately prior to retirement net of tax at a very much higher rate, is much less than the ratio of his pension to salary before tax.

In 1956 the taxation deductions allowed for personal superannuation and life insurance premiums to taxpayers were raised from £200 to £300 (excluding medical and hospital contributions which remained allowable deductions, but under a different section of the Act). The allowable deduction was further increased to £400 in 1959 and to the present amount of $1,200 in 1967.

The intense interest in superannuation engendered since the Second World War has attracted increased attention from banks, trustee companies, and life insurance companies, which have sought to undertake the management of the accumulating investments of superannuation funds. Life insurance companies have been very active in seeking superannuation business in Australia. Prior to 1961, when the Income Tax and Social Service Contributions Assessment Act was passed, the earnings of superannuation schemes managed by life insurance companies on behalf of the trustees of those schemes were taxed, while the earnings of self-administered funds were exempt from tax. Life insurance company managed schemes, as compared with self-administered funds, generally had further disadvantages : their administrative costs (including commissions payable to agents) were relatively high ; their investments were geared more to fixed benefits payable under individual whole of life and endowment assurance policies than to providing suitable retirement benefits for groups of employees; and the benefits they provided on invalidity (other than on total and permanent disablement) were too small.

Under the Income Tax Acts of 1961 and 1964 all *bona fide* superannuation schemes became tax exempt, whether self-administered or managed by a life insurance company, subject in broad terms to their investing not less than 30 per cent of the fund's investments in public securities, with at least 20 per cent being in Commonwealth Government securities.

Life insurance companies had been striving before 1961 to improve their superannuation services, and more flexible arrangements, with reduced levels of administrative charges and commissions, were achieved under deposit–administration and managed–fund techniques, which were introduced in the late 1950s. However, it was the 1961 Act that offered a great opportunity for the expansion of their superannuation business.

Throughout the 1960s superannuation business was actively sought by the major life offices, competing very keenly against each other. Three significant developments occurred during this decade. The first was that, within their overall management, certain of these life offices offered investment facilities of the unit trust type, under which trustees could select the proportions of their superannuation funds to be invested in ordinary shares and property, company debentures, mortgages, and other fixed interest type of securities, with 30 per cent being invested in public securities as necessary to obtain income tax concessions. The second was to manage only the investments of certain large funds, leaving the trustees to organise the remainder of their fund's conduct, namely, benefit design, the trust deed, and the maintenance of the fund's records. The third was the offer to underwrite benefits of a more comprehensive nature than the former total and permanent disablement benefits, namely, salary continuance insurance on invalidity. These life insurance companies also made substantial reductions in their administrative charges for superannuation business.

The practical effects of the Commonwealth's 1961 taxation legislation have also been to direct the attention of employers to their superannuation schemes, as evidenced by their support for the Association of Superannuation and Provident Funds of Australia which was established in that year. In order to obtain the available income tax concessions, superannuation funds are required to ensure that the trust deeds governing their management secure the rights and interests of their members and their beneficiaries. (Funds incorporated under State Acts such as the Victorian Superannuation Fund, the Hospitals Superannuation Fund, the Local Authorities Superannuation Fund, etc., are exempt from this Commonwealth legislation.)

Before the 1961 Act a minority of high income earners established superannuation arrangements as a means of tax avoidance. The 1961 Act ended much of this activity and the contributions and earnings of a private sector fund are now fully tax deductible only if its projected level of benefits at the employee's retirement age, as related to his final salary, broadly speaking, does not exceed the corresponding benefits paid by the Commonwealth Superannuation Fund. This level permits the payment of pensions up to about 70 per cent of final salary subject to at least 20 years' service with reversionary pensions to widows and children. Lump sums, which are the equivalent of these pensions, are also allowable. Personal contributions necessary to provide these benefits (including any life insurance premiums) since 1967 have been allowed as tax deductions against an employee's earnings up to $1,200 a year and the contributions by the employer necessary to provide the residual amount are tax deductible in full. Should an employee be required to contribute more than $1,200 in any year, the excess is deductible for taxation purposes, on a basis determined by the Commissioner of Taxation, but only if a pension is payable to him after retirement, and against that pension.

Since 1961 tax concessions to encourage the establishment of funds by self-employed persons have also been allowed.

In Victoria, the Probate Act of 1962 provided that in the case of *bona fide* superannuation schemes, if a member were not more than 72 years of age when he died in service, the benefit from the scheme to his widow and children under 21 years or any other dependant of the member would be exempt from duty, within prescribed limits. The legislative enactments of the 1960s indicated the increasing significance attached by governments to superannuation funds owing no doubt to the fact that by 1967 superannuation funds were providing an estimated 25 to 35 per cent of all net personal savings in the Australian economy and this percentage appears to be increasing.

Preservation of benefits

The Victorian Government was the first in Australia to demonstrate an interest in the preservation of superannuation benefits, which had been receiving much attention overseas, particularly in Britain. Under this concept, an employee moving from one employer to another, subject to certain conditions, preserves the superannuation benefits which have accrued on his behalf, either with the employer's fund in which his benefits had accrued or with a central fund. The Government first displayed this interest in 1969, due no doubt to the belief that in an era of full employment, an employee should not be required, in order to preserve his accrued superannuation entitlement, to remain with his employer throughout the whole of his working lifetime. In a draft dated 27 May 1971 the Victorian Government made its Superannuation Benefits Bill available so that interested members of the public could make submissions prior to the preparation of legislation. Since the Victorian Government sponsored preservation of superannuation benefits, the Commonwealth Government passed the *Superannuation Act* 1971 for the preservation of superannuation benefits in relation to inter-government and university transfers of Commonwealth employees and the staffs of universities, respectively.

Social implications

The objective of superannuation schemes is now seen by the community to be the maintenance of an employee's domestic situation when his salary or wages cease at retirement or earlier through invalidity. This concept leads to the proposition that superannuation schemes must provide adequate benefits, if an employee is to be able to maintain his domestic situation when he ceases in employment. It follows that the criterion of adequacy seems to be that the benefit payable must bear a reasonable relationship to the employee's final salary. Also, because of the wide variety of possible domestic situations with their continual changes in respect of every employee, the scheme, if it is to achieve its objectives must be designed to be able to cope adequately with all the possible domestic situations which may arise.

The concept of providing adequate benefits to meet all possible domestic situations has evidently been held for some years by Australian governments and some large private sector employers, a fact which is indicated by the range and the size of the benefits provided from their schemes. Generally, in the government schemes the contributions being paid by employees are being accumulated in funds, while the governments defer making their contributions towards any benefits until the relative benefits actually become payable. In the large private sector employers' funds providing the highest scale of benefits, the overall accruing liability for these benefits have required contributions from the employer and employee combined in the range of about 15 per cent to 22 per cent of the pay-roll. This high cost, *inter alia,* helps to explain why some smaller employers had confined their schemes to the " contribution promise " basis, with contributions of 5 per cent of the employee's salary being paid by both the employee and his employer. Most schemes have adopted fixed retirement ages, for example, age 60 or 65, to save the employer from any embarrassing requests from employees to discontinue employment before age 60 (even with a reduced benefit) or to allow an employee to defer his retirement beyond age 65, for an increased benefit.

By the early 1970s superannuation funds tended to be under financial pressure, either through inflation requiring the supplementation of benefits, or through demands by employees for improved benefits to match those being provided by other funds; as provisions were made for these increases in benefits, the assets of funds increased rapidly. Public service pensions were being supplemented regularly by governments, and private sector pensions by an increasing number of employers, to enable beneficiaries to cope with the continuing effects of inflation, namely, the increasing costs of goods and services.

Even for an employee on a high salary, it is virtually impossible for him alone to accumulate the large amount of assets needed to provide a standard of living for life after retirement comparable with the standard he had attained immediately before retirement. However, with substantial assistance over a long period from his employer and aided by the tax savings applicable to both employer and employee, a superannuation plan with a suitable " benefit promise " provision can in fact accumulate the assets required in respect of employees. The Commonwealth income tax laws do not extend comparable tax exempt savings opportunities to self-employed persons.

A unique feature of the Australian Income Tax and Social Services Acts is the favoured treatment which lump sum superannuation benefits receive, and most schemes are providing benefits in this form rather than as pensions. Even where pensions are available under a scheme, provisions are usually made for the commutation to a lump sum benefit of at least a portion of the pension. In the Victorian State Superannuation Fund, provision was first made in 1966 for members to commute, and now up to 12 units of pension at retirement or 30 per cent of their pension entitlement, whichever is the greater, may be commuted for a lump sum benefit.

Superannuation schemes in the 1970s are seen as an arrangement whereby participants elect to forego the benefit of a proportion of the goods and services currently available to them while in employment, in order to provide goods and services for themselves and their dependants when they cease to be in remunerative occupations at a later date. These savings, in money terms, marshalled into superannuation schemes, are invested for the purpose of generating goods and services for the future. Superannuation schemes experience a flowing-in of moneys from their investments and from the savings of new and existing participants, and a flowing-out of moneys to pay benefits to, or in respect of, the participants on their ceasing to be in remunerative occupations. The net yearly increases in superannuation funds are invested with compounding effect to provide an ever increasing volume of goods and services for the whole community.

There are, however, factors which may cause concern in this superannuation mechanism. As stated earlier, the inferred assumption in " benefit promise " schemes is that the employer generally must meet the balance of the cost of the superannuation of his employees, over and above the personal contributions made by them. It follows that this balance of cost could escalate seriously with steep increases in salaries, and the objectives of these superannuation plans, together with other socially desirable plans, could be jeopardised, if inflation is not kept within reasonable limits.

The effects of inflation on employers could be mitigated if available investments had the capacity to increase in market value to offset in whole or in part the reduced purchasing power of the currency. In the hope of being able to cope with these problems of inflation, the trustees of many funds have invested a percentage of their assets in ordinary shares, property, and other " inflation hedge " securities. For various reasons, these investments give no assurance of any inflation hedge and the trustees of funds are continually facing the investment dilemma of high yielding debentures and mortgages versus low yielding potential growth equities. Unfortunately, any substantial falls in the values of equities held by a fund which arise from a general decline in business, will, if the " benefit promises " are to be sustained, give rise to substantial demands on employers to make good the shortfalls—possibly at a time when this could be most inconvenient for them to do so, because their profits could probably also be low and for the very reasons that equity prices could have fallen on the stock markets.

In addition to inflation, there is the problem of the apportionment of a company's earning capacity between its employees and shareholders. If employees' demands result in increased wages with disproportionately reduced dividends for shareholders, not only the dividends, but also the market value of the employing company's shares could fall. Therefore, to the extent that superannuation funds are the owners of such shares and the shortfall cannot be made up from other sources, the funds' investments in such company shares will have failed as a means of transferring foregone goods and services by the current generation of employees to the time of their retirement, when they would have hoped to have benefited from their earlier sacrifices.

These problems notwithstanding, an increasing number of employers are accepting the responsibility of endeavouring to assist their employees to provide a reasonable standard of living for themselves and their dependants after they have ceased to be engaged in remunerative employment and it can be expected that superannuation funds will continue to grow at an accelerating rate, for the simple reason that there is no other practical way for employees to achieve this objective.

The estimated amounts accumulated by Australian superannuation funds as at the end of June 1971 were:

	$m
Through government, semi-government, and self-administered funds	2,800
Through life insurance companies	1,100
Total	3,900