IT'S YOUR MONEY RALPH.

A ten-minute talk given to the Probus Club of Melbourne by the Late Arnold Atkinson.

Introduction:

If you have ever had your favourite TV programme interrupted by a nagging woman who says to her dopey husband, "It's your money Ralph' you will have guessed that I am going to talk to you about the late lamented State Bank of Victoria.

OUTLINE OF BANK CAREER.

I joined the service of the State Savings Bank of Victoria, as it was then known, in June 1932. After serving 6 years as junior clerk at Kilmore, I spent the next 42 years, excluding war service, working in the hallowed halls of Head Office. Initially posting transactions to mortgage loan accounts and then graduating by degrees to Personal assistant to the Chief Accountant, Manager of the Branch Returns Section, District Inspector, secretary to the Board, Chief Accountant and for the last 3 years of my service, Deputy General manager responsible to the GM and the Board for the financial operations of the Bank. I retired in October 1980. The fact that I was never a teller or a branch manager explains why I make such a balls-up of counting the cash at the lunch table.

From this brief outline, you will see that I was close to the heart of the organisation for very many years and what's more to the point, I know where some of the bodies are buried.

THE PENNY BANK IMAGE

After Mr Bill Moyle was appointed from outside the Bank to be its new Chief Executive Officer, some financial reporters credited him with having taken control of a sleepy savings bank, only interested in money boxes and housing loans, and turned it into a flourishing major trading bank. This was a prime example of sloppy journalistic research because it was completely untrue.

THE BANK AS IT WAS FROM THE 1970'S ONWARDS.

Long before Mr Moyle's appointment, the Bank had assumed the role of a fully operational, efficient and competitive trading bank. It conducted cheque accounts, lent by way of overdraft to municipalities, public authorities and small businesses, ran a large personal loan business, issued credit cards, accepted, endorsed and discounted bills of exchange, provide farm and housing loans on a large scale, invested vast sums in the securities of public authorities and municipalities, accepted term deposits and issued negotiable certificates of deposits, provided guarantees and dealt daily, in large sums, in the overnight official and unofficial money markets. It had its own network of foreign correspondents in all major parts of the world, through which it conducted every type of travel and commercial foreign exchange business. What a foundation for

the new management to build on! What would they have accomplished if they had, in reality, taken over a sleepy penny bank?

THE BANK AS AN INNOVATOR

The Bank was an innovator in a number of fields and chalked up a respectable number of firsts in the banking world. I would like to enumerate a few of the major ones.

FARM LOANS- THE CREDIT FONCIER DEPARTMENT

Prior to the establishment of the credit Foncier department of the Bank in the mid-1890's, the only source of finance available to farmers were trading bank overdrafts, repayable on demand, or relatively short-term mortgage loans. During this period there had been many foreclosures. For the first time in Victoria, the newly established Credit Foncier department enabled farmers to borrow for periods of up to 20 years or so and repay their loans by fixed half-yearly instalments, including principal reductions and interest at reasonable rates.

HOUSING LOANS AND THE STANDARDS SET BY THE BANK.

In 1910, the Bank began to make long-term loans for housing through the credit Foncier Department. In 1921, a Chief Architect was appointed to head up a Building department, employing architects, clerks of works and valuers. By the mid-twenties the Bank had become the biggest home builder in the State. In the absence then of any building regulations, the bank set the standards for home building with its rigid specifications of the best materials and best supervision, carried out under supervision by its clerks of works.

Some of the suburbs developed in the twenties bear the bank's imprint in every street. The most fetching line in the estate agent's advertisement in those days was," built under Bank supervision". There was no need to ask "which bank"? Everyone knew.

Garden City, near port Melbourne, was a major development completely carried out by the Bank in 1926 as an experiment in community living after the style seen by the Chief architect in England.

MECHANISATION AND COMPUTERISATION

In 1961, after an extensive programme of mechanising branches with teller and ledger posting machines, the State bank became the first bank in Australia to have a computer up and running. The first programmers were recruited from within the Bank and trained by IBM, after we established our own training school for programmers.

By 1980, every one of more than 500 branches was on-line to the computer, which handled all the Head Office and branch accounting. Current and up-dating transactions were entered in pass-books directly from the computer through tellers' on-line machines. I hope I'm not embarrassing anyone here, but

some of our major rival trading banks are, even to this day, making hand-written entries in passbooks- a process all too prone to human error.

THE BANK AS AN EMPLOYER.

The Bank was a generous employer and was somewhat ahead of its times in the 1920's with a staff Provident Fund, long service leave entitlements, a generous salary scale, and the granting of extraordinarily long periods of paid sick leave in cases of long-term illness.

When the University of Melbourne established the Faculty of Economics and Commerce in 1924, the Bank, from the outset, encouraged officers to study for the Bachelor of Commerce degree by paying half of their fees and granting a bonus and an increase in salary on graduation – a truly enlightened policy for those days. As a result, the Bank probably had a larger quota of Bachelors of Commerce than any other similar type of institution. Some, of course, left the Bank for other fields, two of the best known being Sir Frederick Wheeler, long-time head of the Commonwealth Treasury, and Major-General Sir Selwyn Porter, later Chief Commissioner of Police.

We were also leaders in the field in giving women equal pay for equal work and appointing female branch managers. When one of our first lady managers, Miss Frances Smith, arrived at her first branch to relieve the permanent manager, the senior male member of the staff looked her up and down and said" in the best male chauvinist pig tradition, "What do we call you? Miss Manager".

COMPETITION FOR SAVINGS

Between 1960 and 1962, every private trading bank established a savings bank subsidiary and began to make sizeable inroads into our deposit base.

THE STATE SAVINGS BANK ACT

The State Savings Bank Act, from which the Bank derived its powers, was originally very restrictive. However, trading bank status was almost achieved in extensive amendments to the Act put forward in 1957, but most of the additional powers sought by the executive and the Board were knocked out when the bill was debated.

The big stumbling block was Mr, later Sir Henry Bolte, Premier of Victoria who looked upon the State Savings Bank as a socialist institution., which had no right to embarrass private enterprise with unseemly competition. We fared much better under the Governments of Sir Rupert Hamer and Lindsay Thompson. However, although various amendments to the Bank's Act defined the broad principles under which the Bank was required to operate, I know of no instance, during the 15 years of close association with the Board, in which the ruling Liberal Government interfered with the Board's autonomy to make its own policy decisions, or directed the Board to pursue policies laid down by the Government of the day.

The first break-through into trading banking came with an amendment to allow customers to draw on accounts by cheque, subject to the account always being kept in credit. This was followed by the granting of power to make secured and unsecured personal loans.   These were only a second-best substitute for overdrafts, but they filled a gap in branch managers' armoury as they struggled to retain their customers against competition by the private savings banks.

Gradually, over the next 20 years, amendments to the State Savings Bank Act gave us the powers to provide overdraft accommodation, deal in bills of exchange, give guarantees and invest in company shares- all of which were essential for conducting a trading bank business.

INTERNATIONAL DEPARTMENT

The international dealings of the Bank were a curious feature of our operations. Beginning after World War II as a service to migrants wishing to remit funds to their overseas families, for which we initially used a friendly trading bank, the services were gradually expanded to a full-scale travel and commercial foreign exchange operation carried out through our own appointed correspondents in all parts of the world. Yet there was no specific power in the old Act to do what the Bank was doing. Like Topsy, the international operations just grew and became a fait accompli before anyone could stop it from happening.

Our entry into the bill market threw up some amusing and disconcerting illustrations of the old proverb, "Ignorance is bliss". With every merchant bank and most official money market dealers in the city signed up for endorsement facilities, and with acceptance facilities granted to several finance and other types of companies, we began to feel relaxed.

The customary fee of $25,000 for the Bank's signature on the front or back of a $1 million parcel of bills seemed like money for jam. But one fateful Friday afternoon, we endorsed $500,000 in bills for the merchant banking arm of one of Sydney's most prestigious stockbroking partnerships. Alas, on Monday morning it was front page news. The whole country was shocked to learn that the firm's financial empire had collapsed and was in receivership. Like a Collingwood supporter after his team has lost the match, I'm sure "we was done in the eye" by a smart operator.

You certainly live and learn. Shortly after we had launched the bill operation, one of the shrewdest operators in the official money market startled me by saying, "I wouldn't have one of your bills. "I said, "Why". He said, "Because your Bank's not on the Reserve Bank of Australia's list of approved bank acceptors and endorsers". Fancy telling me that, when the market was already flooded with State Bank bills held by a lot of ignorant people who didn't know any more about the game than I did!

Our request to have the Bank's name added to the Reserve Bank's list caused a real flurry in the dove-cote. The Governor telephoned the General Manager to ask whether we knew what the bank's obligations were under the Bills of

Exchange Act. The GM assured him that we'd heard of the Bills of Exchange Act and had, in fact, actually read it.

It took six weeks for the Reserve Bank to unravel this knotty problem and add our name to the list. In the meantime, everyone in the money market seemed to be quite happy with our "dud" bills. They knew we'd pay up if any of the other parties to the bill went bad.

LENDER OF LAST RESORT FACILITIES

Perhaps I should comment here that, under the Commonwealth Constitution, the Reserve Bank has no power to give directions to any banking instrumentality created under a Sate Act. However, we volunteered to observe central bank policy in exchange for certain lender of last resort facilities.

BANKCARD

When the private banks, together with the Commonwealth Bank, decided to launch Bankcard, state banks were initially excluded from the planning discussions, but eventually it was realised that our very large customer base was vital to the success of the scheme. Statistics of the operation showed that the State Bank, competing against six other trading banks, consistently had approximately 25% of the number of cardholders and 25% of the outstanding balances for the State of Victoria, the remaining 75% being shared by the six other banks.

POWER TO INVEST IN EQUITIES

In the mid-1970's, the Bank acquired 25% of the shares of a merchant bank called Westralian. Later, Westralian was merged with Sir Ian Potter's merchant bank, Tricontinental, in which he retained a 2% interest while the Westralian shareholders became owners of all the rest of the equity. Ultimately, the Bank bought out the other partners and became the sole owner.

The autocratic ways of Tricontinental's Managing Director, who was inherited from Sir Ian Potter's operation, finally resulted in his being given a substantial golden handshake. In his place, the Board of Tricontinental appointed a man with whom they were very impressed- one by the name of Ian Johns. How lucky can you get! The rest is history.

THE END OF A GREAT INSTITUTION

We had all looked forward with pride to celebrating the 150th anniversary of the establishment on 1st January 1842, of that great Victorian Bank as the Port Phillip Savings Bank, with Charles Joseph La Trobe as its founding President; but fate decreed that this was not to be. For decades, this jewel in the crown of the State of Victoria had been run by men who had begun their careers as junior clerks in its service, who were part of a great family, and who loved the institution and cared for its reputation and integrity as no outsider ever could.

I would like to conclude with an anecdote. One of the top executives of the Midland Bank, on a visit to Australia, accepted our invitation to lunch. Commenting on the increasing complexities of banking, he suggested that there was a great need to employ more university graduates in banks. In the patronising tone that only a well-bred Englishman can affect when talking to colonials, he said, "By the way, does your bank employ any graduates?"

There were twelve at the luncheon, including the guest. The General Manager, Don Ross, who had no academic qualifications but was none the worse for that, glanced quickly around the table, from face to face, and said in a low, beautifully restrained voice, "as a matter of fact, there are ten at this table."

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