



# 125 years

the story of  
the state savings bank of victoria 1842 - 1966

*Trevor Craddock  
Maurice Cavanough*

the third year of the reign of Her Majesty Queen Victoria (No. 12): - And whereas by the above recited Act (5 Victoria No. 5) it is enacted that an Institution, to be called "The Savings Bank of Port Phillip," shall be established at Melbourne; and that His Honor the Superintendent of Port Phillip for the time being shall be the President of the said Institution; and that the management of the affairs of the same shall be vested in twelve Trustees, to be appointed by the said Superintendent, of whom one shall be styled Vice-President: -

Now therefore I, Charles Joseph La Trobe, Superintendent of Port Phillip, do hereby nominate, constitute, and appoint the following gentlemen to be Trustees of the said Savings Bank of Port Phillip:

- |   |  |
|---|--|
| James Simpson Esq. J.P. Vice President          |  |
| Thomas Mills Esq. J.P.                          | Charles Hutton Esq.                    |
| George Ward Cole Esq.                           | Jones Agnew Smith Esq.                 |
| Skene Craig Esq.                                | Robert Martin Esq. J.P.                |
| James D. Lyon Campbell Esq. J.P.                | Rev. <sup>d</sup> Adam Compton Thomson |
| James Graham Esq.                               | Rev. <sup>d</sup> James Forbes         |
| Rev. <sup>d</sup> Patrick Bonaventure Geoghegan |  |

Given under my hand at Melbourne this twelfth day of October 1844

C. J. La Trobe  
President

Charles Joseph La Trobe holds a controversial place in the history of Victoria. He arrived in Melbourne on September 30th, 1839, just four years and one month after John Fawkner's party had erected a turf hut which was the white man's first dwelling place on the banks of the Yarra River. La Trobe came with the title of Superintendent of the Port Phillip District of New South Wales, an appointment made by the Home Government which had been impressed by La Trobe's reports on the treatment of native peoples in America and the West Indies. La Trobe, a son of a Moravian clergyman, had been trained for no profession and he had no special attributes to fit him for the task of guiding a new settlement to the status of an independent colony.

During the 1840's when Victoria was striving for separation from New South Wales, and more particularly in the years immediately after the discovery of gold in 1851, La Trobe's inability to take strong and decisive action when it was needed, made him many enemies amongst the people he governed. When he sailed back to England from Victoria in 1854,

he was a distressed and weary man. But historians have been kinder to him than his contemporaries were. They recall that La Trobe's foresight made possible the green parklands which surround the heart of Melbourne; that he made the grant of land on which the City's public library, gallery and museum stand; that he encouraged the building of the Royal Melbourne Hospital; and that he played the leading role in establishing the savings bank which is now known as The State Savings Bank of Victoria.

The original of the document reproduced on the cover of this story of the Bank's first 125 years was signed by La Trobe as first President of the Bank and records his appointment of the first Board of Trustees.



C. J. La Trobe  
President

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**the story of  
the state savings bank of victoria  
1842 - 1966**

BY  
TREVOR CRADDOCK &  
MAURICE CAVANOUGH

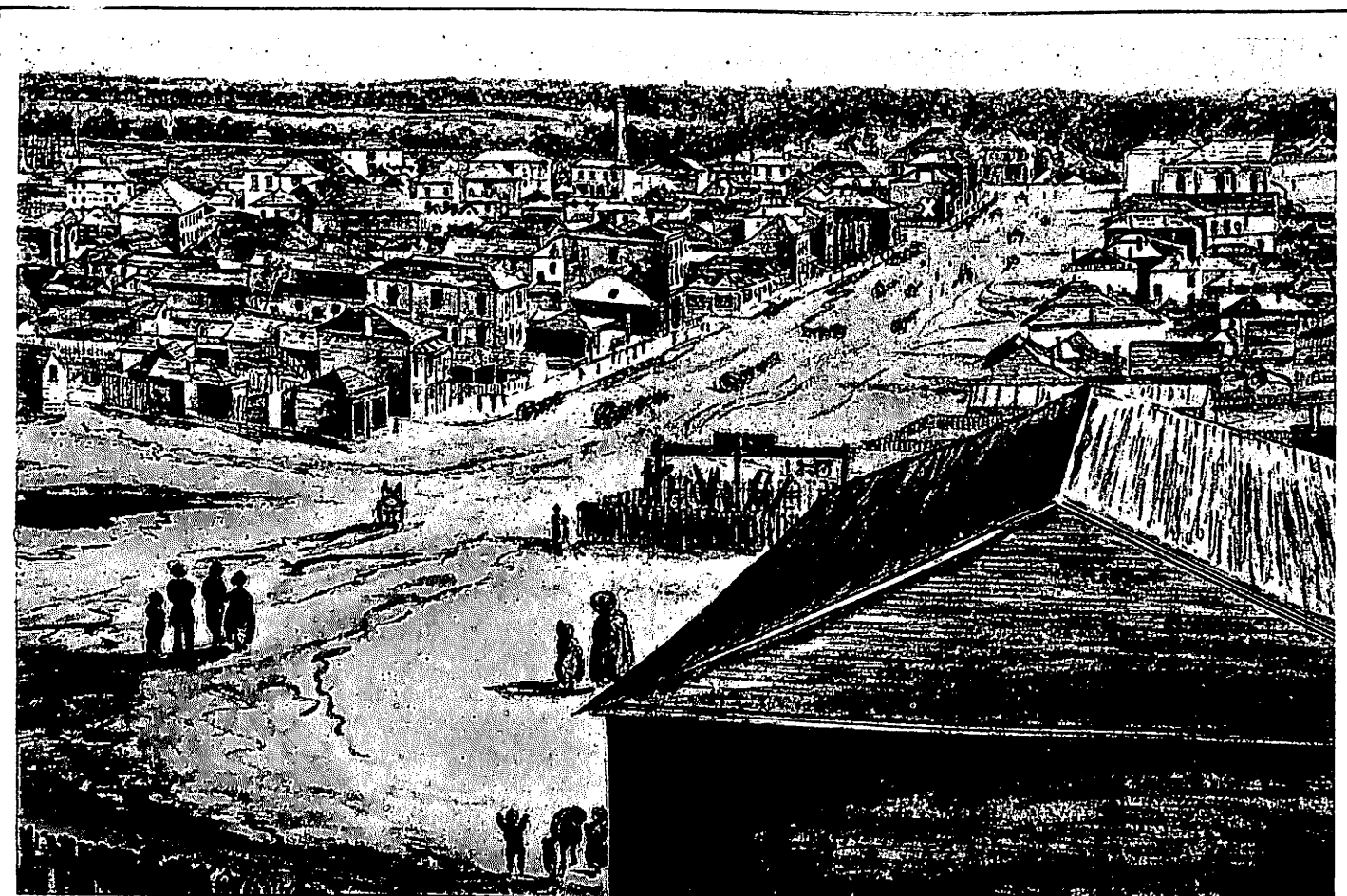
*Published January 1st, 1967.*

*To mark the 125th Anniversary of the  
opening of The State Savings Bank of  
Victoria*

# WHEN MELBOURNE WAS VERY YOUNG 1842-1850



*Panoramic Sketch of Melbourne, 1841, drawn from the walls of Scots Church, where the artist, Samuel Jackson, sat in a barrel, withdrawing one stave at a time, and sketching what was then revealed.*



*A close-up view of Collins Street, from Jackson's sketch, showing the building on the corner of Queen Street (shown X), where the Port Phillip Savings Bank commenced business in a dingy room at the rear of the first floor.*

On New Year's Day, 1842, the day The State Savings Bank of Victoria opened for business under its original name, there were about 18,000 people living in Victoria, or — as it was then called — the Port Phillip District of New South Wales.

Some two-thirds of the population had arrived since October, 1839, when the first shipload of assisted migrants from England sailed into Port Phillip Bay. By the end of 1841, this had been followed by 62 similar ships bringing migrants whose passages were paid from the proceeds of land sales in the Port Phillip district.

The assisted migrants were poor people, hoping to find in this new land better conditions and opportunities than they had left behind them.

From this distance in time, it is hard to imagine what poverty meant 125 years ago. There was no Welfare State to look after the sick or unemployed, no old-age pensions, no superannuation schemes for employees.

Even so, the poor man of 1842 had one opportunity for self-help which had not been available at the beginning of the 19th century, or indeed ever before in the history of mankind. In times of employment, he had a safe place in which to store whatever small sums he could spare against the days of misfortune.

For this opportunity, he could thank a clergyman who lived in Ruthwell, a remote village in Scotland. In 1810, this man, Dr. Henry Duncan, had founded the first true savings bank the world had ever known.

Dr. Duncan had realised that the joint stock banks of the day considered the few pence a working man could spare from his wages un-

worthy of their interest. To these banks, a sum less than ten pounds was not worth the expense of the bookwork involved in accepting it, and ten pounds was a labourer's wages for a year.

Dr. Duncan knew, too, that the working class would not bother to store coins in their houses, because such a hoard exposed them to thieves and the importunities of neighbours in difficulties.

Dr. Duncan established a bank which would accept any sum, however small, from his parishioners, and he enlisted the aid of some wealthy landowners in the district who became trustees of the bank's funds, invested them, and guaranteed the depositors against any loss of their savings.

This idea, simple though it sounds, was quite revolutionary, and the revolution spread with the speed of a bushfire. Within a decade there were savings banks all over the British Isles, Europe, the Americas and the British colonies.

The rival parties of Batman and Fawkner who founded Melbourne when they pitched their tents on the banks of the Yarra in 1835, had seen a savings bank operating in Launceston; the overlanders who came down from New South Wales knew there had been a savings bank in Sydney since 1819; and the migrants from the British Isles were aware of the success of Duncan's experiment.

As early as 1838 therefore, there was agitation for the establishment of a branch of the New South Wales Savings Bank in Victoria, but the slowness of communications between Sydney and Melbourne and the difficulty of transporting funds each way, caused the negotiations to lapse.

# 1842-1850



"Knocking down" cheques

No group had greater need of a savings bank than the shepherds, who formed a considerable section of the work force. These men earned about £40 a year for their lonely work in the wilds. For eleven months they tended sheep, often not seeing another human face for months on end except for a few minutes every two or three weeks when someone called to bring provisions.

The year's work over, they received their cheques and made for Melbourne and the company of their fellowmen — and women. There was no lack of sleazy grog shops where the landlord was only too pleased to welcome the shepherd, take charge of his cheque, and supply him with drink until his money was spent; a process that was accelerated if the shepherd accepted the company of one of the disreputable women who lived in the district at the western end of Little Collins Street. It is easy to understand the temptations the shepherds faced, after eleven months in the wilderness, to dissipate their earnings, but that some of them would have preferred to save part of their cheque was proved when they were offered the facilities of a savings bank. Of the first 50 depositors the savings bank attracted, six were shepherds, and

thereafter the first register of depositors' names is sprinkled liberally with men whose occupations are listed as shepherd or hut keeper.

The savings bank came into existence officially on September 1st, 1841, when the Government of New South Wales passed an Act whereby "an institution to be called the Savings Bank of Port Phillip shall be established at Melbourne". Exactly four calendar months later, the bank opened for business.

The prime mover in persuading the Governor and Council of New South Wales to pass this legislation was Charles Joseph La Trobe, who came to Port Phillip as Superintendent of the District on October 2nd, 1839.

Historians have not yet settled the place of La Trobe in the story of Victoria. He was to become first Governor of the Colony when it achieved separation from New South Wales in 1851, and he was to be in control of the destinies of the State in the most turbulent years of its history. He was probably more at home in the salons of Europe than the raw surroundings of a pioneer settlement, but all Victorians can thank him for his part in establishing an institution which has played an important — possibly vital — role in the development of their State.

Mary <sup>her</sup> Bowen <sub>mark</sub>	Housekeeper	Melbourne
Joseph Garrett	Master, Boat	do
John Doe	Milkman	do
Richard, George Baylson	Shepherd	do
Mr. Lamb	House Servant	Melbourne
James <sup>his</sup> <sub>mark</sub> Shepherd	Cough Carpenter	do
George Theophilus Abbott	Carpenter	do
George Richardson Phillips	Shopman	do
George F. A. Wilson	Brewer	do
James Grant	Widow	do
John Ferguson	Blacksmith	do
John Clark	Water Carrier	do
John Smith	Labourer in the Bush	do
Mary Smyth	Widow	Melbourne
Petruck <sup>his</sup> <sub>mark</sub> Kennedy	Labourer	Bendigo
Louis Hill	Carpenter	Melbourne
Thomas <sup>his</sup> <sub>mark</sub> Kennedy	Shepherd	Melbourne
Maguire Gray	Sailor	do



La Trobe not only took the leading role in bringing the Savings Bank of Port Phillip into existence, he was its first President.

Because it had been brought into existence by philanthropic men of position as a grace and favour to the working class, savings banking for a long time had a paternalistic character; so different from the present day when every artifice of publicity is used to attract depositors.

This was reflected in the difficulties confronting potential depositors of the Port Phillip Savings Bank in 1842. First they had to find the bank in its obscure location on the upper floor of the Melbourne Fire and Marine Association building on the south-west corner of Collins and Queen Streets. This involved a trudge through dust or mud, according to the season, up the hill from Williams Creek (now Elizabeth Street). And the journey had to be made either in the dark of Saturday night between seven and eight o'clock when the bank was open for deposits only; or, on Wednesday afternoons between one and two, when both deposits and withdrawals were made. For withdrawals, however, prior notice had to be given: a full week for the smallest withdrawal not exceeding five pounds, and as much as two months for anybody fortunate enough to accumulate £500 to his credit.

It says a great deal for the need the savings bank fulfilled, that these difficulties did not deter people who sought a reliable custodian of their savings.

It has been mentioned that shepherds were plentiful amongst the earliest depositors. For the rest, the first register of depositors' occupations mirrors the times. Account number one went to Mary Bowen, an illiterate housekeeper, who signed the register with her mark. She was followed by other servants, milkmen, carpenters, tailors, bullock-drivers, shopmen, coopers, clerks, quarrymen, stone masons, saddlers, water carriers (as yet Melbourne had no reticulated water) and again and again by "labourers".

For many years this Cash Box, which contained the whole of the Bank's cash, was left with the Bank of Australasia overnight. The handles were removed to enable the box to be placed in a drawer.

1842-1850

In the other settled areas along the sea-board, there were working men and women who sought this same privilege of having a reliable institution to guard and invest their money at a safe profit.

This was particularly true in Geelong whose founders had dreamed that their settlement would become the main harbour in Port Phillip and the leading city of the colony. As early as 1845, the trustees of the savings bank in Melbourne agreed to open a branch in Geelong, which then consisted of five scattered villages with a total population of 2,000.

Negotiations proceeded as far as the appointment of local trustees. But these men shared the vision of Geelong's greatness, and they demanded the right to invest the savings of their own people in their own district. This the Melbourne trustees refused to permit and for three years the mail cart trundled the arguments back and forth until the Geelong trustees finally gave way in July 1848.

In the meantime, the first branch of the Port Phillip Savings Bank had been opened at Portland, on January 1st, 1848, to cater for the whalers, the townspeople and the pastoral workers. These people had followed in the wake of the Henty brothers who had come over from Tasmania even before Batman and Fawcner founded Melbourne.

In the first ledger of the Portland branch there is an account on which only one transaction was made. This was an initial deposit of £100. Written in pencil alongside the whaler-depositor's name, and still faintly discernible is the note: "lost at sea".

The only other branch opened in the first decade, was at Belfast, now Port Fairy, where business began, again on the first day of the year, in 1850. Belfast made a convenient port for the squatters who had occupied the splendid pastoral lands that stretched inland from the coast.



Port Fairy Branch (then called Belfast) opened in 1850.

# Separation and change 1851-1858

**V**  **R**

**THE MELBOURNE  
MORNING HERALD  
EXTRAORDINARY.**

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**GLORIOUS NEWS!  
SEPARATION  
AT LAST!!**

**SEPARATION HAS COME AT LAST!!**  
The Australian Colonies' Bill,  
WITH THE AMENDMENTS MADE IN THE HOUSE ON THE 30 JULY,  
WAS AGREED TO IN THE COMMONS ON THE 1ST AUG.,  
AND ONLY AWAITING THE QUEEN'S SIGNATURE TO BECOME  
**THE LAW OF THE LAND.**  
**INDEPENDENT COLONY.**  
**GENERAL JUBILEE.**

**New-born Colony!**

**God Bless the Queen!!!**

The pioneers who crossed Bass Strait from Tasmania to establish settlement around Port Phillip Bay, and the migrants who joined them from England, believed they should form a separate colony and not just an appendage to New South Wales.

Throughout the 1840's they were inflamed by a burning desire for separation which kindled practically every form of political activity until finally, on June 10th, 1850, the House of Commons passed the legislation which created the State of Victoria. The Act was to come into effect on July 1st, 1851.

The news reached Melbourne by the *Lysander* on November 11th, 1850. For the following four days, the new colony went on a holiday spree that included a feverish round of fireworks displays, fancy dress balls, concerts and race meetings.

One hundred and six years later in 1956 the love of Victorians for their State was to form a vital barrier in the defence of their own savings bank against fierce attacks launched by subsidiaries of the privately owned joint stock banks with affiliations interstate and overseas.

Separation meant a change in the character of the Port Phillip Savings Bank. In November, 1852, the newly-formed Legislative Council of Victoria — there was to be no lower house until 1855 — referred the amendment of the laws affecting the Bank to a select committee.

The deliberations of this committee, which met for the first time on November 30th, 1852, were to distort the shape of savings banking in Victoria for more than half a century.

The committee sought no evidence whatsoever from either the officials or trustees who had launched the savings bank movement in Victoria and guided it through the first decade of its existence.

Instead the committee relied entirely on the opinion of an "expert" named Dr. McKay. The Americans have a saying that an expert is an ordinary man who is far from home.

Dr. McKay was a long way from home. He was from England, where he had acquired some knowledge of savings bank practice in that country. Since Dr. Duncan's day, savings banking in the British Isles had spread piece-meal from

Despite its huge area, Australia is one of the most uniform and closely-knit nations on earth. It would take the sensitive ear of a Professor Higgins to detect the nuances of voice from one State to another, but there is a deep-seated rivalry between the people of New South Wales and Victoria, and this rivalry is particularly noticeable in the respective capital cities, Sydney and Melbourne.

As Alexander Sutherland wrote in 1888 ("Victoria and Its Metropolis"): "the people of Port Phillip never submitted with good grace to the necessity of being 'a dependency of a dependency'".

# 1851-1858

county to county, even from city to city, and as it spread individual savings banks were established, each confined to its own limited area.

The experienced savings bankers of Victoria believed they could better advance the welfare of their State if they retained control of the movement from Melbourne to the Murray through a system of branch banking; and history was to prove them right.

But the select committee preferred the advice of Dr. McKay. In effect this amounted to a recommendation that each existing branch of the Port Phillip Savings Bank, and any savings bank to be established in the future, was to be a separate entity, bearing the name of its locality (e.g. the Melbourne Savings Bank) and controlled by a local Board of Trustees.

Dr. McKay also recommended the establishment of a Board of Commissioners to whom the Trustees were to remit all their funds except the amount of cash needed to meet depositors' demands. The Commissioners were to invest the surplus funds and allot the profits to each separate bank in proportion to its balances. The Trustees of each bank were then to declare individual profits on the year's transactions and to declare their own rate of interest which might vary from bank to bank.

The Trustees were to frame their own by-laws, appoint their own staff and fix the officers' salaries, with the important provision that the Commissioners "were to have over-riding authority to restrict the expenses of management" at any bank.

Within three months after the select committee made its report Parliament passed "an Act to consolidate and amend the Laws relating to Savings Banks" to which assent was given on February 7th, 1853, and which came into effect on June 30th, of that year.

Five Commissioners were appointed and created a corporate body styled "Commissioners of Savings Banks in the Colony of Victoria" with power to make and issue general and other orders for the management of savings banks, and for the guidance, control and information of Trustees, officers and staff.

The five men appointed, Charles Hutton, Octavius Browne, Andrew Knight, Henry Smith

and Andrew Russell, had been Trustees of the Port Phillip Savings Bank, and all property and assets of that Bank were vested in them. After eleven and a half years, the unspectacular position of the original Bank was as follows:

	No. of Accounts	Balances
Melbourne	2,287	£132,891
Geelong	200	7,735
Portland	37	745
Belfast	25	1,284
	<hr/> 2,549	<hr/> £142,655

The reserve fund stood at £3,126 and the chief investments were: mortgages £35,150, Government debentures £83,300, Municipal debentures £20,000.

The Commissioners never accepted the Act of 1853 as being anything but an ill-judged piece of legislation based on poor advice; and they used the provisions of the Act to thwart Parliament's intention to create a chain of separate banks. By exercising their powers of over-riding control they reduced the Trustees' role to a nominal one and finally forced them out of existence.

But it required decades of intense animosity before the Trustees surrendered. The ill-feeling was not confined to the Commissioners and Trustees. It affected the relations between the inspectors nominated by the Commissioners to report on the staff appointed by the Trustees.

After years of sporadic skirmishes, this led to a most unhappy incident in 1895. By that time the Trustees of the Melbourne Savings Bank had opened several suburban branches and they fought bitterly to retain control of them.

In 1895 a man named George James Cook was sub-accountant at the main office of the Melbourne Savings Bank. Mr. Cook was one of the most colourful gentlemen in the history of the Bank. A big man physically, he did everything with a flourish. He was unreservedly a devoted Trustees' man, and as such, out of favour with the Commissioners. On November 2nd, 1895, Mr. William Robinson, Comptroller of Savings Bank (a position equivalent to General Manager) wrote a letter to Mr. Cook containing these words:



George James Cook

"I have now to inform you that the Commissioners regard the matter so seriously that they propose . . . to hold a formal enquiry and take evidence on oath."

"The matter" to which Mr. Robinson referred was an accusation that Mr. Cook was going around the branches of the Melbourne Savings Bank "intimidating officers by giving them to understand that whilst loyalty to the Trustees would be rewarded, any friendliness with the Commissioners' officers would be punished".

In due course an unhappy procession of 20 officers was summonsed to give evidence at the enquiry, and Mr. Cook was found guilty. The Commissioners would have preferred to dismiss him, but not wishing to provoke the Trustees any further, they compromised by reducing Mr. Cook's salary, a decision the Trustees accepted "under protest".

The "Cook Case" was one of the final blows to the Trustees, who resigned, in frustration, in 1897. The Commissioners therefore appointed a manager as substitute for the Board. The extraordinary sequel was that Mr. Cook, himself, was immediately promoted by the Commission-

ers to accountant and, two years later, to manager of the main office, a position he retained until his retirement in 1927.

Those who worked with him remember Mr. Cook as a man who brought dash and verve to a prosaic occupation; one of the colourful sidelights of his personality was his habit of having his man-servant meet him with his horse and gig at Aspendale station to complete the journey to his home on the Nepean Road.

In the country, the Commissioners won the battle with the various Boards of Trustees by a process of attrition.

As individual Trustees resigned or died, the Commissioners refrained from appointing a successor, until no Trustees were left and managers were appointed in their stead.

In this fashion, the savings banks gradually became recognised as a cohesive whole, a process that was culminated by an Act of Parliament in 1912 which brought them under a common designation — "The State Savings Bank of Victoria".

These battles, however, lay well in the future at the time the Commissioners were first appointed in 1853. Their initial responsibility was to make orders for the conduct of business. The convenience of the public was given more consideration than previously, when business hours were extended to accept deposits between ten and two o'clock on four days a week, and from six to eight on Saturday evenings; however the only period when money could be withdrawn was from 10.30 a.m. until 3 p.m. on Wednesdays. This irksome restriction often caused great inconvenience to depositors, and on one occasion a gentleman who called on the wrong day to withdraw money, became so irate when his request was refused, that he leant across the narrow counter and attempted to throttle one of the clerks.

After that incident, the counter was doubled in width, an alteration that was later responsible for saving the staff from injury. One day in 1856, a piece of plaster fell on the counter. As the three clerks looked up, they saw the entire ceiling about to collapse, and they just had time to dive under the counter before it descended on them.

## 1851-1858



The first office of the Bank was in a dingy room, 14 feet by 12, at the rear of the first floor of a building on the corner of Collins and Queen Streets. Withdrawals were restricted to Wednesday afternoons, and on one occasion an irate depositor, refused permission to withdraw his money on another day, attempted to throttle the hapless clerk. As a result the narrow counter was doubled in width to prevent any repetition.

An additional irritation to the public was the Commissioners' decision to continue the practice of closing their banks for the first fortnight in July to balance the books and add interest to depositors' accounts.

Emancipation of women was still a long way off, and a married man could demand any money standing to the credit of his wife's account.

The minutes of a meeting of the Melbourne Savings Bank Trustees, held on August 3rd, 1855, contain the following entry (note that "actuary" was the term then used for manager):

*The actuary produced a letter which he had received from Charles George Tapp requesting that the money owing at the credit of Sarah Tapp should be paid to him. He said that Tapp being his wife and she having absented from home. Considered that the request should be complied with on the conditions that the said Charles George Tapp produces satisfactory certificates to the contrary.*

In due course Mr. Tapp produced letters from two friends testifying that he was indeed the lawful spouse of the errant Sarah, and received the balance of her account; which possibly consoled him for her absence.

It was not until 1870 when the Married Women's Property Act was passed, that a woman could bank her money safe in the knowledge that the Law regarded it as her separate property.

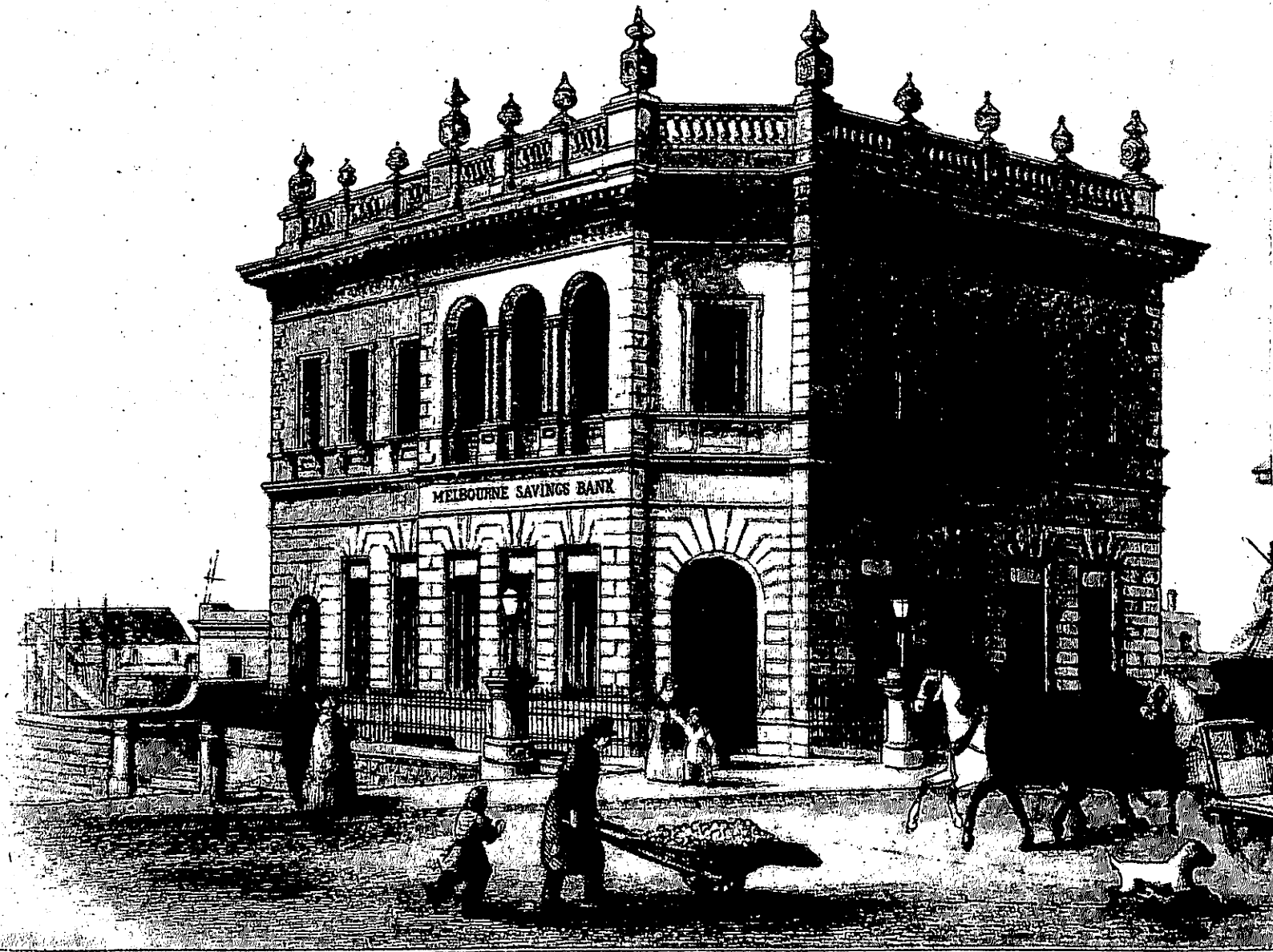
Another immediate problem for the Commissioners was the provision of more worthy premises than the humble room which had served as the Melbourne office since 1842. In their former position as Trustees of the Port Phillip Savings Bank, they had been negotiating with La Trobe for a grant of Crown Land. The site they favoured was a section of the Melbourne Hospital reserve on the corner of Swanston and Lonsdale Streets.

La Trobe refused this request, but in 1853 agreed to make a grant of land on the corner of Market Street and Flinders Lane. It was not until 1856, however, that the Commissioners received an acceptable tender of £10,800 from Craven Brothers for the erection of a building and it was two years later, on June 22nd, 1858, when the premises were occupied.

The completed building, made from stone quarried at Kangaroo Point, near Ararat, was a handsome addition to the young City, and visitors from the country regarded it as one of

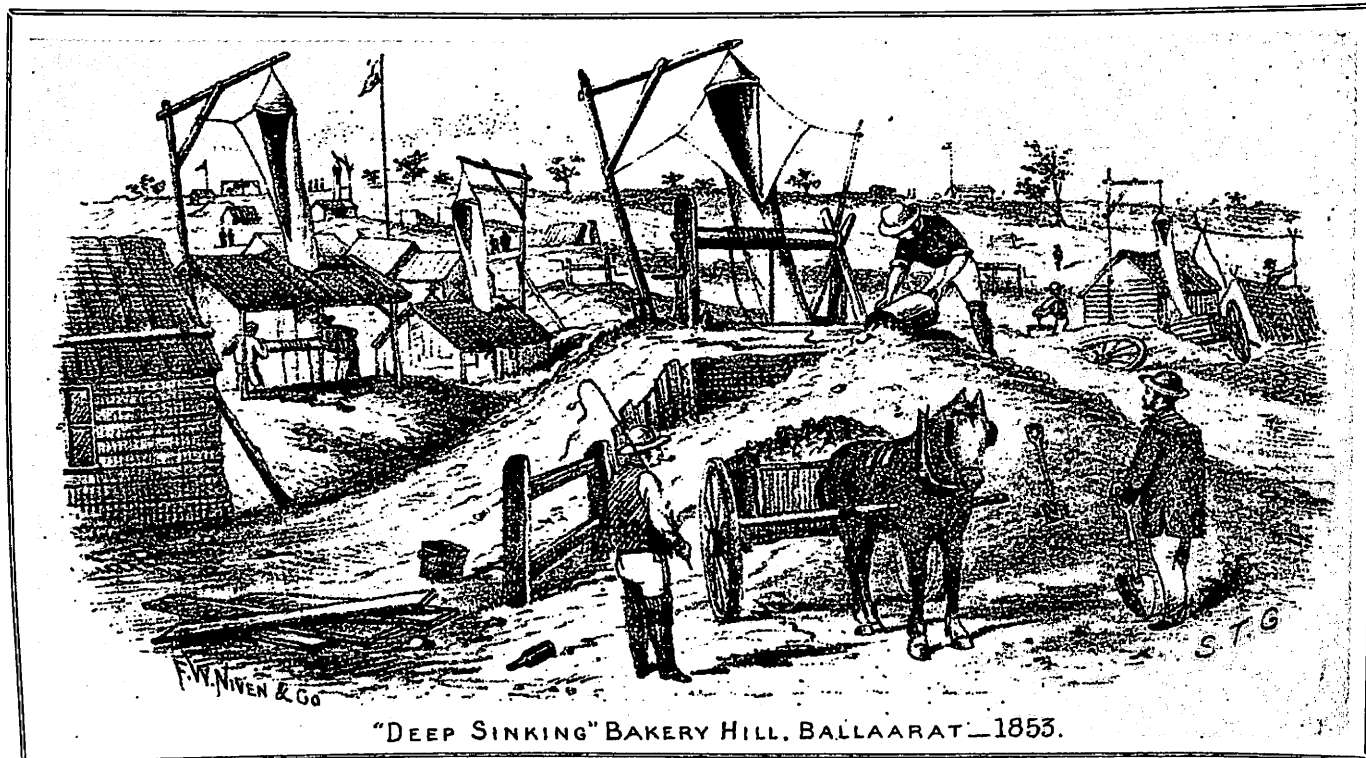
the compulsory visiting points in their tour of Melbourne. With additions made in 1884 and 1900, it remained the Head Office of the Bank until 1912 when it was sold to the Melbourne Harbour Trust for £22,500, and Head Office was transferred to the present site in Elizabeth Street.

This building on the corner of Market Street and Flinders Lane was the Head Office of the Bank from 1858 to 1912.



# The golden explosion

1851-1869



"DEEP SINKING" BAKERY HILL, BALLARAT—1853.

Only a month or two before Victoria was officially to become an independent colony on July 1st, 1851, the leading citizens of Melbourne were dismayed at the prospect that all their hopes for a glorious future might be dashed by a momentous item of news that had come down from Sydney.

Gold had been discovered in the Bathurst area of New South Wales and rumour had it that any able-bodied working man could easily earn himself at least a pound a day, and possibly riches for life, if he joined the crowds thronging to the goldfields.

To retain her population, Victoria must have a goldfield of her own. On June 9th, 1851, a public meeting was held at the Mechanics' Institute in Collins Street, at which it was decided to offer a reward of £200 to anyone who should disclose the location of a profitable goldfield not more than 200 miles from Melbourne. Within five weeks two Melbourne working men, prospecting in their spare time, found grain gold at

Warrandyte, but this was only the trickle that heralded a flood.

Before the year was out, goldfields were opened up in a bewildering succession that had the new colony in a frenzy: at Clunes, Buninyong, Mt. Alexander and particularly at Ballarat where Nature had stored the richest deposit of gold the world had ever known.

By the end of 1851, the mails from Victoria had taken the startling news to Europe; news that a working man might earn on the goldfields of this far-away Colony as much money in a week as hard toil at home would bring him in a year. Every month from that time forward, for many years to come, Victoria was to receive thousands of migrants eager to try their luck at the diggings.

In five years from May, 1852, 100,000 migrants reached Victoria from England; 60,000 from Ireland; 50,000 from Scotland; 14,000 from continental Europe; 3,000 from the United States, and from China another 25,000. Thou-

sands more flocked to Victoria from the neighbouring colonies. By 1857, Victoria's population had soared from 77,000 at the time of separation, to 463,000.

What effect did this flood of humanity have on the Commissioners for Savings Banks in the Colony?

In the short term, it brought them only bewilderment and anxiety at a time when they were desperately trying to build a successful savings structure on the flimsy foundations of the old Port Phillip Savings Bank.

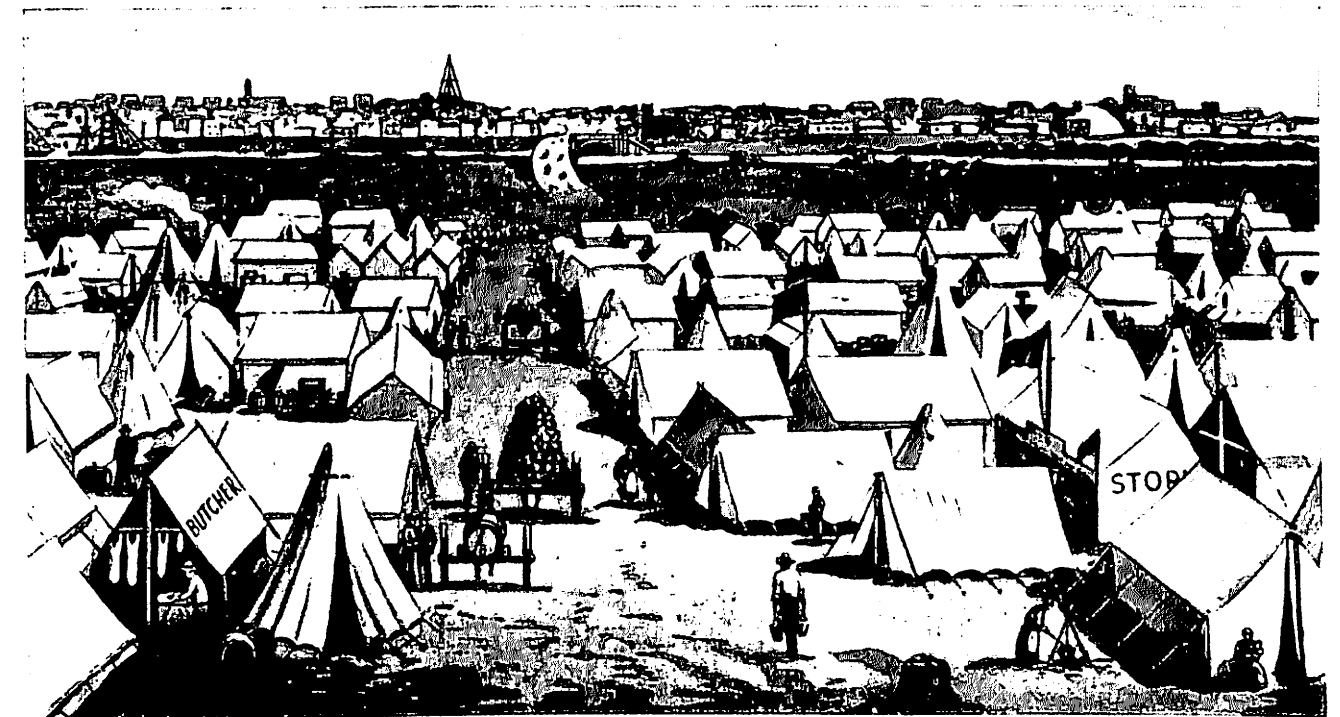
Nothing could have contrasted more obviously with the still-young savings movement, designed as it was to preach the virtues of thrift and the slow building of pence into pounds, than the exhilarating get-rich-quick fever of the goldfields.

Picture a typical successful digger down from the goldfields to enjoy a couple of weeks in Melbourne before he returned to the source of apparently unlimited wealth.

A short time before, he had been, possibly, a shepherd on a lonely outback station, glad to earn £40 for a year's work; or, perhaps, a cobbler in England, happy if he had sufficient work to bring him in ten shillings a week.

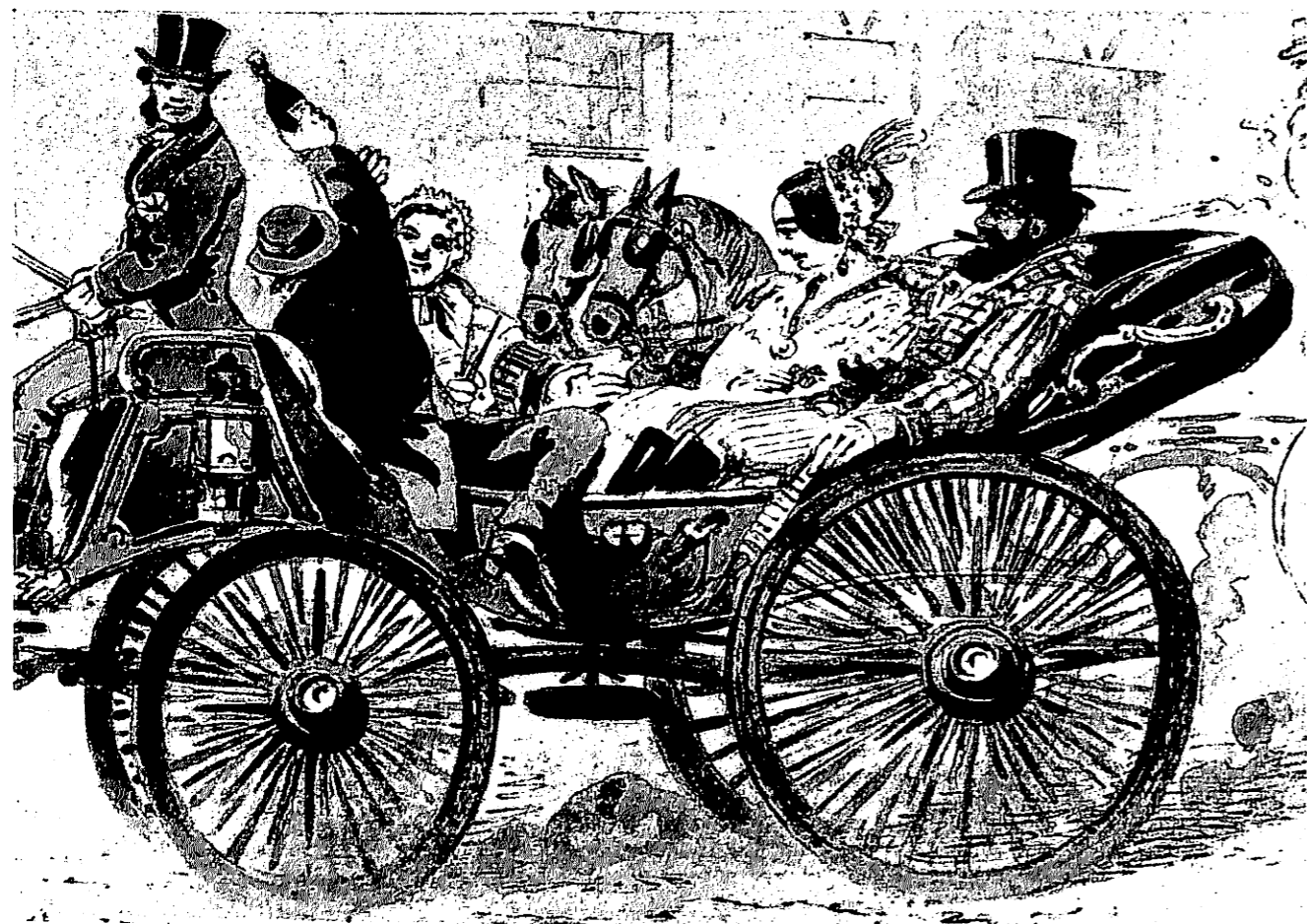
Now he has five hundred pounds burning the linings out of his pockets, and he believes there is plenty more where that came from. He is not a good audience for a lecture on the virtues of thrift.

The Savings Bank Commissioners, to their everlasting credit, retained a sense of proportion when all the world around them seemed out of kilter.



The lure of gold attracted nearly 400,000 migrants to Victoria between 1852 and 1857. To provide them with temporary accommodation before they set out to the diggings, Governor La Trobe permitted the establishment of a "canvas town" on the southern side of the Yarra River. Rent of a site for a tent was five shillings a week. At its peak, canvas town accommodated 8,000 people and the canvas shops which catered for their needs.

## 1851-1869



*The discovery of gold in Victoria in 1851 did not have a marked effect on the development of the Savings Bank. The virtues of thrift made little appeal to successful diggers who believed their new-found wealth was made for the spending. One popular extravagance was known as a "digger's wedding", a form of mock marriage contracted between a successful miner and an accommodating lady who shared his company while his gold lasted. The "married couple" usually paraded the streets of Melbourne several times before setting off to a champagne supper in St. Kilda or Port Melbourne.*

To them the hall-mark of savings banking was absolute security of the funds the public entrusted to their care; and they stamped this hall-mark so indelibly into their institution that in its 125 years history the State Savings Bank has retained the absolute confidence of the people of Victoria through good times and bad; and none of the millions of people who have made the Bank their own have had any reason to doubt the safety of their savings.

But the time when the Bank would count its depositors in millions was a long way in the future when gold fever infected Victoria. At June 30th, 1854, after one year of the new era in savings banking, the total funds under the control of the Commissioners was only £182,892,

and the number of depositors was 2,761. Reserves stood at a slender £4,832.

The Commissioners appreciated their responsibility to provide savings bank facilities on the goldfields, but they did not have the funds to erect branches or pay the salaries of staff to man them; and they could obtain no assistance from the Government.

It was not until December 1st, 1855, that they felt safe in opening the first inland savings bank at Castlemaine. This was followed by banks at Bendigo (then Sandhurst) on March 17th, 1856, Ballarat on November 15th, 1856, Maryborough and Warrnambool 1859, Kyneton 1861 and Hamilton 1862.

To keep expenses to a safe minimum, office hours in these country branches were confined to Mondays from one until four o'clock for deposits, and Fridays between two and four o'clock for withdrawals. The Actuaries (or Managers) were, in the beginning, only part-time bankers who combined their duties with their regular occupation. At Maryborough, for example, the first Actuary, Mr J. C. Hooper, was the Town Clerk and the bank premises were, in fact, his office desk in the Municipal Chambers. His successor, Mr John Gardiner, was a school teacher who combined the roles of teacher and banker for many years. At Hamilton the Actuary was Mr Alex Learmonth, an Accountant whose own office was used as the savings bank.

Although they were all eventually to become large and important branches, these banks on the goldfields made very little progress in their early years. The reasons for this are summarised in reports which Mr Gardiner made to the Trustees of the Maryborough Savings Bank.

On February 6th, 1863, he wrote:

"In my conversation with the miners, I discovered a great amount of ignorance as to the constitution and working of Savings Banks, even amongst Englishmen on Chinamen's Flat. I was asked: 'Who are the shareholders?' And at Britannia Reef, a miner informed me that he believed more than two-thirds of the miners were perfectly ignorant of the principles explained by me."

In another report, Mr Gardiner wrote: "The miners look upon the Savings Bank suspiciously,

because we do not have a gold buying licence. And our appeal to save steadily falls on deaf ears, because the miners are imbued with the ambition to get rich quickly."

It is not surprising that the Commissioners moved slowly, or that they refused requests from the residents of the mining towns of Inglewood, Maldon, Heathcote, Talbot, Daylesford and Beechworth to open savings banks. In 1862, reserve funds were a meagre £34,624, and only five of the eleven banks then established were operating profitably.

In the following year, a solution to the problem of providing savings bank facilities at inland towns came from an unexpected source; but it was a solution that was to create its own serious and unanticipated worries.

In September, 1863, the Town Council in the Melbourne suburb of Port Melbourne (then called Sandridge) invited the Government to open a savings bank at the local post office. The Government passed the request on to the Commissioners.

The Port Melbourne Council's request had been inspired by a measure nurtured through the British Parliament in 1861 by William Gladstone. This Act created the Post Office Savings Bank which still dominates the savings field in England.

The Commissioners agreed that emulation of the English system would supplement their own endeavours, and advised the Government to bring down the necessary legislation. The Government dallied with the question for two years before passing the Post Office Statute, 1865, and the new bank commenced business on September 11th of that year.

In their annual report for 1865, the Commissioners expressed gratification "that the one remaining inherent imperfection of their system, namely, the impossibility of establishing, with perfect safety, any very considerable number of their Savings Banks throughout the Colony . . . has now been fully met in the addition, by the Government, of the supplementary and very valuable Post Office Savings Bank system".

The Commissioners' gratification was, however, short-lived, because it soon became obvious that the Government was anxious to foster the

1851-1869



Post Office system as a rival rather than a supplementary ally of the Savings Bank.

Post Office savings banks were established in the same towns as the Commissioners' banks, and competed with them for business. It was not long before there was talk of the need to amalgamate the two systems under the one control. The Commissioners had no objection to amalgamation, but they considered that their knowledge and experience fitted them to administer the combined systems.

They were rudely shocked, therefore, when the Francis Government, in 1873, introduced a Bill under which all the balances in the Savings Bank would be deemed to have been deposited in the Post Office Savings Bank; the attraction to the Government of an amalgamation on these terms was that all the funds of the Post Office Bank were invested in Government Debentures.

The opposition party seized on this point and accused the Government of "laying ruthless hands" on the people's money because it was having difficulty in floating loans. One member, Mr J. I. Smith, said:

"If the old Savings Banks were shut up, not one third of the depositors would transfer their accounts to the Post Office Savings Bank."

The original mover of the Bill, a Mr Langton, complained plaintively:

"... never during the course of my public career in this Colony... have I known a single instance of a measure being assailed with the same amount of virulence."

This "virulence" did not deter the Government from passing the Bill through the Lower House, but fortunately, for the future of Victoria, the Legislative Council rejected it.

*For the first few years of their existence, the country savings banks were opened for only a few hours each week, and they were managed by part-time bankers who combined these duties with their regular occupations. At Hamilton (opened November 3rd, 1862) the first manager was Alexander Learmonth, public accountant, who used his office as the bank.*

The proposal to merge the Commissioners' banks into the Post Office Savings Bank was revived from time to time, but on each occasion the general public, through letters to newspapers and by personal approach to Members of Parliament, left no doubt that any amalgamation should be in the opposite direction: that the Post Office banks should become agencies of the Commissioners' Banks. The public found the cumbersome book-keeping methods of the Post Office Savings Bank far less attractive than those of the Commissioners' Banks. Amongst the flood of letters published in the newspapers when the Patterson Government revived the question of amalgamation in 1893 was one from a gentleman named F. T. Hickford (published in *The Age* on June 21st, 1893) who pointed out that the funds of the Melbourne Savings Bank alone were £3,714,244, while the entire Post Office system, spread all over Victoria, had balances of only £2,083,022. Mr Hickford made the telling point that, although the Melbourne Savings Bank had only 19 branches, its transactions for the previous year exceeded half a million, whereas the 370 Post Office Savings banks had dealt with only 72,787 transactions.

The same issue of *The Age* carried another letter from a gentleman signing himself "Grateful", who writing tongue-in-cheek praised the Post Office system because its complicated method of dealing with withdrawals frustrated his wife's desires to get her hands on his savings. "Grateful" wrote:

"My wife has had her eye on my deposit for some time, and but for the well studied regulations of the Post Office Savings Bank, my bank balance would have lessened to a considerable extent."

The overwhelming wishes of the people were finally given due heed by the Government when legislation to amalgamate the two systems under the control of the Commissioners became operative on October 1st, 1897.

The Post Offices continued as agencies of the Commissioners' Banks until 1912, when the Commonwealth Bank was brought into existence; for this and other reasons which will be referred to later, 1912 was a momentous year in the history of the State Savings Bank.

# BOOM and bust

## 1870-1893

In the sense that they were years of consolidation, the 1870's formed the most tranquil decade in the history of Victoria. The gold fever had subsided. There was still plenty of gold to be won, but it was no longer likely that a man working on his own, or with a companion or two, could dig a shallow hole and literally pick up a fortune by hand. Gold mining was now a business for big companies using expensive equipment to wrest the precious metal from its secret hiding places.

The migrants who had come by the hundreds of thousands had turned away from mining to seek less exciting but more secure occupations. During the 1860's, the cry to "unlock the lands from the squatters" had been repeated often enough and forcibly enough to achieve a large measure of land reform, and many a disappointed miner was finding consolation in the more enduring pastoral riches of the soil. In 1870, for the first time, Victoria produced enough grain for its own needs, wine making was emerging as a profitable business, and small farmers were finding that the rich volcanic soil in districts like Bungaree would yield returns which, if not spectacular, were reliable.

This growth of agriculture did not bring a great deal of business to the Savings Banks, whose main function remained the provision of a safe place for small sums saved regularly from a weekly wage. Of much greater importance to the Savings Banks was the emergence of manufacturing industries in the towns and cities, a process that became most apparent from 1875 onwards, and which was made possible by a formidable barrier of tariffs on imported goods. In 1876, Victoria had 2,000 factories employing 22,000 people whose annual wages totalled two and a half million pounds, an average weekly wage of about 44/-.

*From about 1875 onwards, manufacturing industries began to play an important part in the economy of Victoria. These sketches show the "production line" at Swallow and Ariell's biscuit and cake factory in Port Melbourne during the early 1880's.*

Judged by the standards of the times, Victorians enjoyed a remarkably high standard of living, and they began to have delusions of grandeur. They believed that Melbourne, their capital, should rank with the great cities of the world, and that its fame should be spread around the globe. When the Victorian delegation observed the success of the Paris Exhibition of 1878, they resolved that Melbourne could do at least as well.

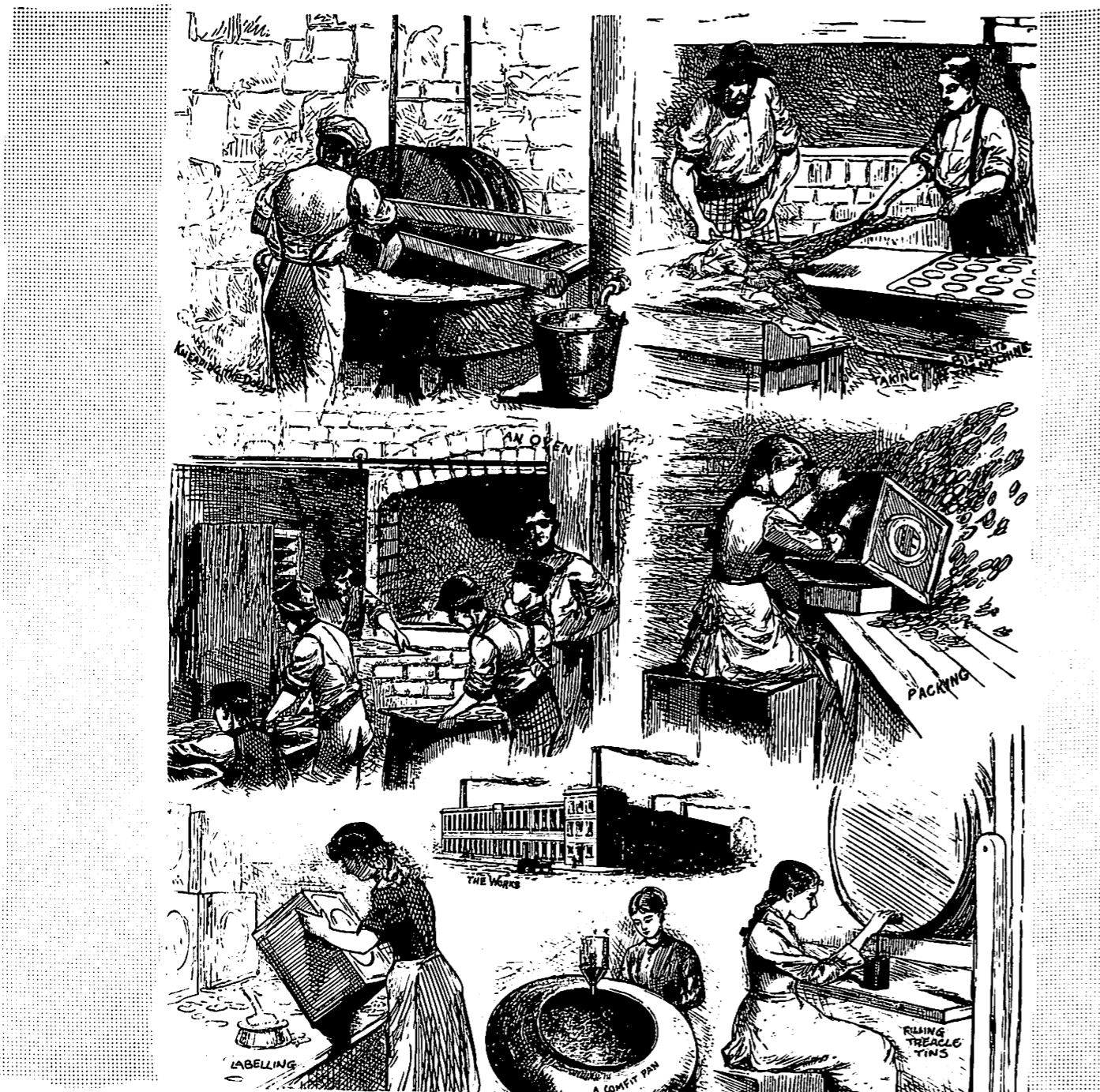
In November, 1878, the Berry Government passed a Bill for an Exhibition to be held in 1880, and on February 19th, 1879, the Governor, Sir George Bowen, in the presence of 10,000 people, laid the foundation stone of the Exhibition Building in Carlton Gardens. Completed at a cost of £246,000, it provided 22 acres of floor space.

When Melbourne's first great Exhibition opened on October 1st, 1880, there were 32,000 separate exhibits displayed by 13,000 organizations which came from Great Britain, the U.S.A., India, France, Germany, Austria, Belgium, Holland, Italy, Switzerland, Denmark, Norway, Russia, Portugal, Spain, Turkey, New Zealand, as well as from Victoria's neighbouring colonies. The display was kept open for seven months and attracted 1,330,000 visitors, half as many again as Victoria's total population.

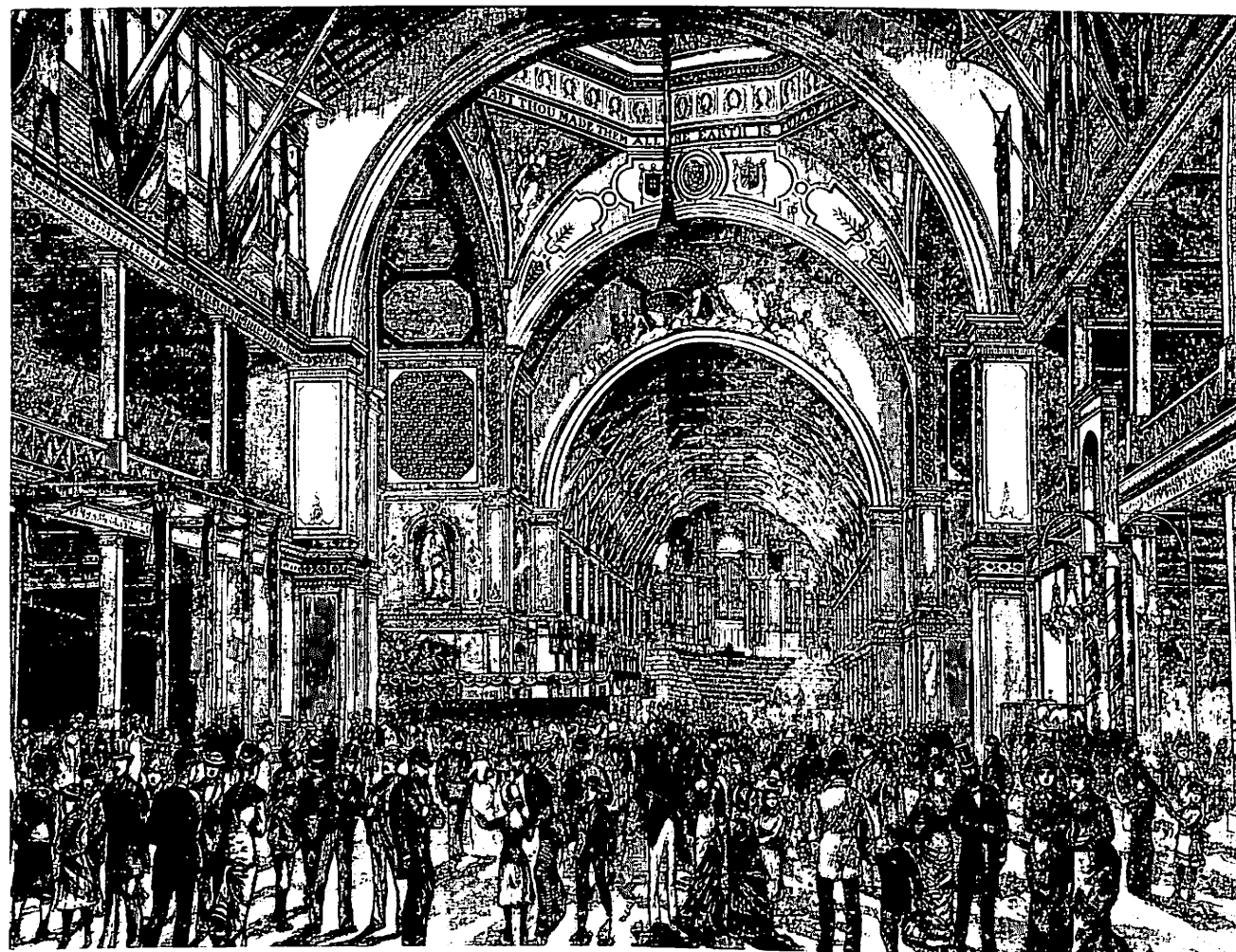
It had the effect, certainly, of focusing the world's attention on this booming colony. The investors of Great Britain were particularly attracted by the evidence of so much prosperity, and the opportunity to receive handsome dividends on their capital. From 1880, they began to send out their money to earn easy pickings in this fruitful market; between 1882 and 1886, they invested thirteen million pounds in Victoria, and emboldened by the lucrative returns which flowed back, a further thirty-eight million between 1887 and 1891.

Where was all this money finding its opportunity?

Not, unfortunately, in productive industries, but in the creation of an artificial value on real estate. That this state of affairs should ever have been allowed to develop into tragic proportions is a black mark on the history of Australian banking. And it is a remarkable tribute to their



# 1870-1893



Melbourne's Exhibition Building in Carlton Gardens was especially built at a cost of £246,000 to house the Great International Exhibition of 1880 which attracted 32,000 exhibits from some 20 countries. This is the main hall as a contemporary artist saw it.

common sense that the Commissioners for Savings Banks in Victoria remained aloof from the prevailing hysteria, as they had done in the feverish days of the gold rush. One important reason why the State Savings Bank of Victoria became one of the great savings banks of the

world is that it emerged not only unscathed but far stronger than ever before from the collapse of the land boom.

Told as briefly as possible, the story of the land boom and bust of the 1880's is this:

The British bankers of Lombard Street had long advocated that the only legitimate market for the investment of their customers' funds was in the discounting of commercial bills of exchange.

In effect, this policy meant they were virtually taking no risk at all. A merchant holding a reliable bill of exchange for goods already shipped

had only to wait until the arrival of the goods at their destination to receive his money. The London bankers were only too pleased to advance this anticipated money, less, of course, their own profit, for a few months. The only difficulty about this kind of profitable risk-free banking was that the supply of money exceeded the demand.

In Australia, particularly, where merchants were still heavily out-numbered by farmers and pastoralists, there were not nearly enough sound bills of exchange available for discount. The colonial bankers, therefore, looked elsewhere for avenues of investment. They advanced money on wool while it was still on the sheep's back, and on the prospects of next year's crop of wheat or farm produce, and, later still, on the security of the land itself.

Although this form of banking went against the tenets of the bankers of Lombard Street, it was a sound and legitimate outlet for funds during the 1860's and 1870's.

The flood of British capital during the 'eighties changed the outlook altogether. There was far more money available than even the pastoralists or farmers needed. Land banks, building societies and real estate companies sprang up like mushrooms to receive the British capital and lend it out to speculators who were buying suburban blocks of land solely for resale at a profit.

And the people who bought the suburban blocks in turn looked for another buyer; and a second buyer sought a third, and so on and on in the crazy delusion that any number of people could make a profit out of a few square yards of land that were being put to no useful purpose.

In this hysterical atmosphere, the trading banks were forced by the desire to maintain profits and shareholders' dividends into actions they would rather have avoided.

At the beginning of 1880, the Associated Banks endeavoured to stem the flow of British capital by reducing their rates of interest on fixed deposits.

Fortunes, most of them short-lived, were made during the land boom of the 'eighties as suburban blocks soared in value. In one week, no less than 30 subdivisional sales took place in Melbourne. To attract potential buyers, real estate agents offered free transport and free champagne lunches. This is how a contemporary artist saw the prelude to one such subdivisional sale.

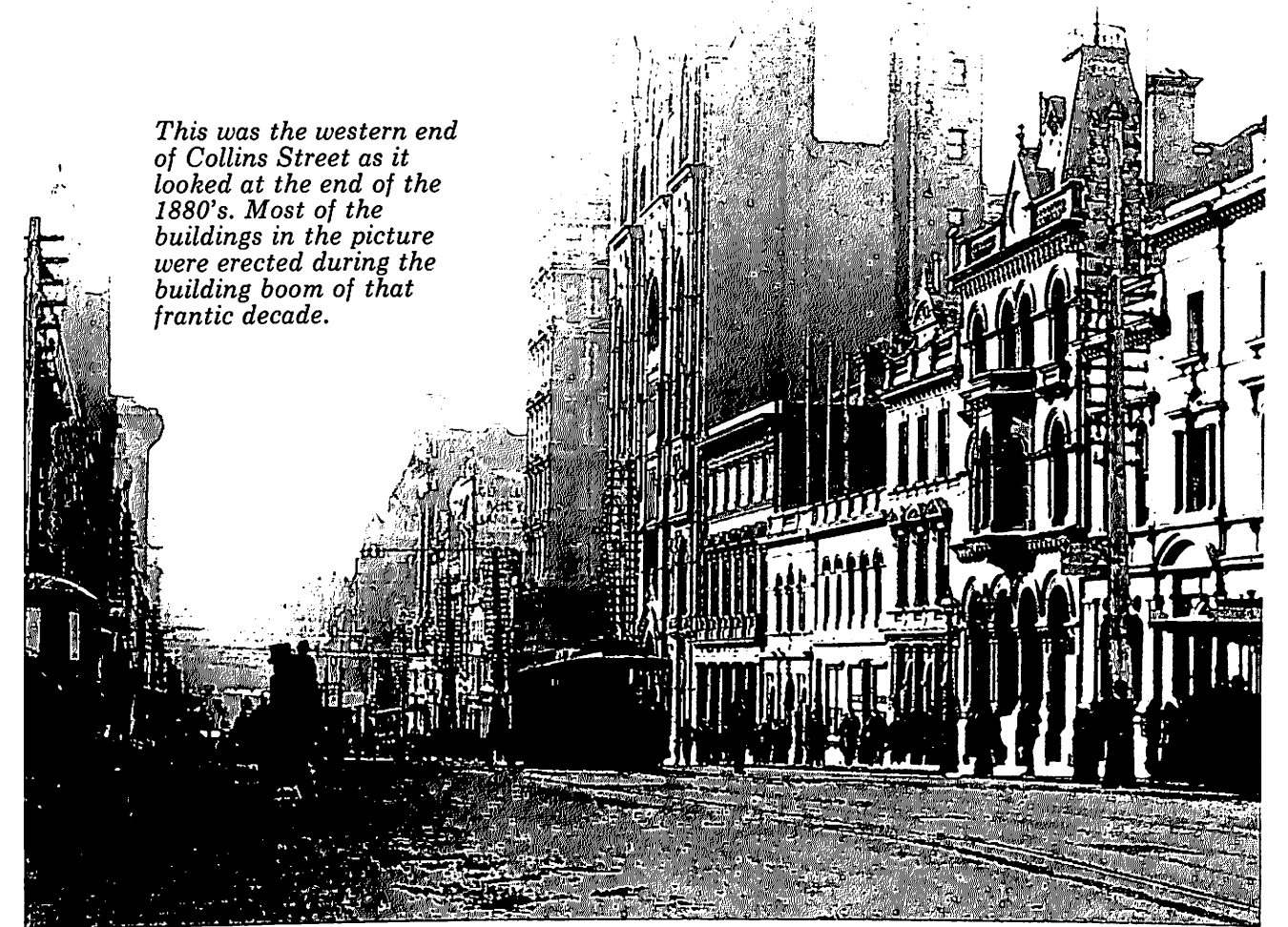


## 1870-1893



An 1893 picture of the Federal Coffee Palace (now the Federal Hotel). Three years before, in May, 1890, this building was the indirect cause of a mild run on the Melbourne Savings Bank when the scandal sheet of the day, the "Evening Standard", queried the safety of a loan of £70,000 which the Bank had advanced on the security of the Coffee Palace land and buildings. The "Standard" suggested that the loan would not have been made had not two of the five Commissioners gone for an extensive tour abroad. These two absentees should have resigned, the "Standard" claimed, and successors been appointed. As it was, the three remaining Commissioners, according to the "Standard", were rabid teetotallers who were using the funds of the Bank to advance the cause of temperance. "It is open to question", the paper said, "whether those who own the savings would not prefer the superior security of public house property for their hard-earned money". The most responsible newspapers of the day ridiculed the "Standard's" article, and the mild run on the Bank soon subsided.

During the boom years of the 1880's, spending by the Victorian Government kept pace with commercial expansion. Between 1880 and 1890, the public debt of Victoria rose from £20 million to £41 million. Construction of railway lines was one of the main items in the Government works programme. From 1882, when 800 miles of line were laid, expansion of the country and suburban railway system was maintained vigorously until the boom burst in 1893. This picture shows the entrance to Flinders Street railway station as it looked in the 'nineties.



This was the western end of Collins Street as it looked at the end of the 1880's. Most of the buildings in the picture were erected during the building boom of that frantic decade.



# 1870-1893

In February of that year, they cut the rate from six to five per cent; in July to four per cent and, again, in the following January, to three per cent.

Unfortunately this had the effect of causing the transfer of interest-bearing deposits to the building societies, which were offering five per cent on current accounts, and as much as 15 per cent on term deposits. In self-defence, the trading banks reversed the trend of the interest rate, which was back to six per cent by the end of 1882. The banks also felt compelled to make loans on the class of securities accepted by their rivals.

For ten heady years, the people of Victoria thought that all this money had created a utopian state. The Government, itself, borrowed freely of British capital to finance works of development, and between 1880 and 1890 the public debt of Victoria more than doubled from £20.5 million to £41.3 million.

There was employment in abundance, and people flocked to Victoria from the neighbouring colonies; 18,007 came in 1886, 14,721 in 1887 and 35,385 in 1888. There was a boom in residential building in the suburbs, and commercial building in the business areas of the cities. Between 1886 and 1888, the value of city pro-

perties rose by 50 per cent, and suburban blocks doubled and trebled in price. The price of a seat on the Stock Exchange rose from £300 to £1,500.

In 1888, Victoria staged another grandiose exhibition to impress the world with its greatness and enterprise. This exhibition showed a loss of £253,000; but the prevailing mood was: "why worry? There's plenty more money to be obtained from England."

By 1891, the 13 trading banks in Victoria owed 24.9 per cent of their deposits to British investors; three banks had obtained more than half of their deposits from Britain. All this money was on short-call—an explosive situation.

A warning had been sounded in the previous year, when between July and October, 1890, the disastrous maritime and shearers' strikes had caused a loss of two million pounds in wages. This warning was ignored. So, too, were the cracks in the economy revealed by the failure of the Permanent Building Society in 1889, with a loss of its entire capital of £60,000.

But when other building societies failed one by one, until two or three were left, it was impossible to remain indifferent any longer.

In 1891, British investors began withdrawing the money with which they had propped the economy; by the end of that year, few land banks or real estate companies had survived. The next year was worse. Insolvencies and liquidations became commonplace, and distress spread through the community.

The situation worsened still further in 1893 when the banking structure tumbled. On April 5th, a staggering blow was struck when the Commercial Bank of Australia, then the premier bank in Victoria temporarily suspended operations. Between that date and May 17th, 12 Australian banks failed, involving depositors' funds of £87 million (of which £21 million was British money) and shareholders' capital of £16 million.

The Patterson Government declared a moratorium, closing the private banks from May 1st until the 5th; it specifically exempted the savings banks. Of the English-based trading banks established in Victoria, the Union Bank of Australia and the Bank of Australasia ignored the moratorium, kept their doors open and survived. Of the Australian trading banks, the

Bank of New South Wales, the Royal Bank of Australia and the Ballarat Banking Co. survived the crisis without closing their doors.

On April 29th, 1893, the Government announced that it guaranteed the funds of the Commissioners' Savings Banks, and this guarantee helped avert a threatened run on the bank; but more important still as a boost to the public's confidence was the effect of a telegram despatched to all Savings Banks by the Commissioners on May 1st, when the moratorium was declared:

"Conduct business as usual; pay customers in gold; should any unforeseen difficulty occur wire at once and gold will be sent."

This rock-like strength and security at a time when other financial institutions were crumbling to ruin justified all the caution the Commissioners had displayed since their creation as a corporate body in 1853. Press and public expressed gratitude and relief for the existence of the Savings Bank.

On May 2nd, 1893, an editorial in the Daylesford Advocate lamented the financial crisis, but added:

"We are fortunate in having a Government Savings Bank in the town which will greatly assist business in the next few days. . . . It is truly something to congratulate ourselves upon that the hard-earned money in the Savings Bank of Victoria is as safe as the colony itself."

The total of "hard-earned money" entrusted to the Commissioners at this time was three and three quarter million pounds, standing to the credit of depositors at 17 country savings banks and the Melbourne Savings Bank, which had established branches in 18 suburbs.

That there were only 17 country banks 50 years after the establishment of the Port Phillip Savings Bank in 1842 is further evidence of the Commissioners' caution during the formative years of the Colony. From 1862, when the Hamilton Savings Bank was opened, until 1880, they permitted no further expansion in the country at all; and even during the hysterical 'eighties when all of Victoria was growing at a madcap pace, they restricted the number of new country banks to six, established at Stawell and Sale in 1880, Daylesford 1885, Bairnsdale 1886,

## TEN YEARS AGO.

Melbourne was a sufficiently wonderful city in 1878. It was not yet forty years old, and had a population of 170,000 people. Let those who walked round it then walk round it to-day. There was the City itself, that Mr. Fitzgibbon rules with autocratic sway, and there were its suburbs that had planted themselves away, fixed in little spots here and there within the ten miles' radius, and scarcely a connection between them. That was ten years ago. Just a decade has passed, and the change is a very marvel. With one sweep it stretches in an almost unbroken line along the shore of Port Philip Bay, from Williamstown almost to Mordialloc. Starting from the great piers that are always lined with the mammoths of the ocean discharging the treasures they have gathered from all the ports of the world, it commences with the stacks of the workshops that there abound, surrounded with the pleasant homes of the workers; then goes on to Newport, where more tall chimneys and the incessant sound of labour keep up the tale of prosperity. Then Yarraville and Footscray, densely populated already, and becoming more so every day, past the industries of the Saltwater River, and the forges and foundries of North Melbourne, until it comes to the great warehouses and stores and the thronged streets of the seething hive that is the City itself. Port Melbourne, ever growing, is next in order, and South Melbourne follows, keeping up the cry of progress: then the villas of Albert Park, and the marine residences of St. Kilda, Elsternwick, Brighton, Sandringham, Mentone, and Mordialloc. Here we have the frontage of Melbourne, and if we follow the sea line our walk from Williamstown to Mordialloc will be twenty-five miles. But,

as the land goes away from the water's edge, the growth is more wonderful still. Flemington, with its cattle and grain depots; Essendon, with its cottage homes; Brunswick, with its great brickyards and potteries; democratic and dense Carlton; aristocratic Fitzroy and plebeian Collingwood; nondescript Richmond; haughty South Yarra and Toorak; and Hawksburn, Caulfield, Malvern—all these cities in themselves form the next line. Back of these again there lie Coburg, Preston, Northcote, Fairfield, Heidelberg, Alphington, Kew, Hawthorn, Glenferrie, Auburn, Camberwell, Surrey Hills, Box Hill, and other suburbs that have sprung up as mushrooms do in rapidity, but with much more promise of life; and when we have examined all these we know what Melbourne is.

## A CITY OF HOUSES.

A well-marked feature of Melbourne life is the passion which prevails in all classes for the actual ownership of a separate home. That has something to do with the way Melbourne grows, for in no other Australian city are the same things noticeable. Sydney, with all its natural beauty, is huddled up and dirty. Its people are satisfied to live in crowded streets, where a breath of fresh air does not come once in a twelve-month and where a flower or a blade of grass is never seen. Sydney's great men talk of building tenement houses for the labouring people. Melbourne working-men would laugh such a proposal for them to scorn. So Melbourne reaches out like an octopus. Its centre is at night deserted; at day it is crowded beyond all imagination.

... spent in progress, and now and daughters, arrived at maturity. the paternal roof and seeking her selves. They want houses, and must go away to find them, and on the City's outskirts. and

Melbourne, throughout the 1880's, provided a classic example of pride going before a fall. It was Australia's biggest City, a fact which its citizens were at pains to point out to the people of Sydney. The rivalry between the two Cities is highlighted by the scathing reference to Sydney's housing plans contained in these extracts from a pompous article in the Melbourne "Daily Telegraph" of November 26th, 1888. During the previous nine years, the Melbourne Savings Bank had opened branches in most of the suburbs mentioned in this article.

## 1870-1893

*April-May, 1893, was the blackest period in the history of banking in Victoria; 12 banks failed completely, and most of the others closed their doors temporarily. The panic spread to the depositors of the State Savings Bank, but the Commissioners sent a telegram instructing managers to conduct business as usual and pay customers in gold. The anxieties of this crowd of depositors waiting for the Ballarat branch to open were soon allayed and, as happened at all Savings Bank branches, business quickly settled down to normal. No branch of the Bank had to close.*



St. Arnaud 1887, and Echuca 1889.

This restriction of growth in the country was justified because a savings bank was still looked upon as an institution for workers and artisans on weekly wages and there were not many country towns where the number of such people could profitably support a savings bank.

In Melbourne, however, the position was different. The establishment and expansion of manufacturing industries from about 1875 onwards created a huge working force and the one savings bank in the heart of the city was hopelessly inadequate to provide the savings facilities they needed.

The minutes of the meeting of the Melbourne Savings Bank Trustees, held on September 9th, 1878, contain this record:

*"The Trustees having had under consideration the question of establishing Branch Banks in the suburbs of Melbourne, and having obtained Counsel's opinion that the Trustees have power so to do, resolve that Branch Banks be established at Collingwood or Fitzroy, Hotham, Prahran, St. Kilda and Emerald Hill, and inform the Commissioners, that with their consent they will establish such Branch Banks. The Trustees feel assured such Branches will greatly promote habits of thrift and that in a short time they have every confidence that they will prove both useful and profitable."*

It should be explained that Hotham was then the name of North Melbourne, and Emerald Hill that of South Melbourne.

The need to seek Counsel's opinion of the legality of establishing branches of the Melbourne Savings Bank stemmed from the existing legislation, which prescribed that each savings bank should be a separate institution.

Counsel having advised that this legislation did not prevent a savings bank from having branches under the control of one Board of Trustees, and the Commissioners having expressed their approval of the Trustees' plans, the first suburban savings bank was opened at Fitzroy on March 1st, 1879, and the second at Prahran on September 25th, 1879.

The Trustees were soon to open branches in all the suburbs mentioned in the minutes of their September 1878 meeting, but other suburbs also clamoured for the advantages of a savings bank.

The Trustees' minutes for September, 1879, recorded:

*Requisition from Richmond to open a Branch.*

*A requisition, signed by both members of Parliament, the Mayor, the ex Mayor and Councillors, the Ministers of various denominations, principal medical men, old residents and a large number of trades people—in all 221 persons, and addressed to the Trustees asking for a Branch of the Melbourne Savings Bank in Richmond, was considered, and it was resolved, that with the consent of the Commissioners a branch should be opened in accordance with the wish of the requisitionists.*

In fact the combined voice of such an influential group of "requisitionists" was so powerful that Richmond, opened on April 1st, 1880, became the third suburban branch of the Bank.

By the time the savings bank structure had to steel itself against the fury of the financial collapse in 1893, every densely populated suburb of Melbourne had its own branch.

In these years of rapid expansion of the Melbourne Savings Bank through the suburbs, the

guiding hand was that of a man named James Alsop.

Born in Devonshire, England, on September 15th, 1839, Mr Alsop came to Australia with his parents ten years later. The family lived in Adelaide until 1854, when they shifted to Melbourne. As a boy of 14, young Alsop was appointed a clerk of the Melbourne Savings Bank, and, according to a record of the time, was "appointed actuary (manager) by the unanimous vote of the Trustees on September 12th, 1871".

He believed passionately in the savings bank movement and from the time of his appointment as principal officer prodded the Trustees to extend the benefits of the bank as widely as possible. He retired on March 31st, 1904.

A share of credit is due to Mr Alsop for the fact that the savings bank movement emerged from the crisis of 1893 not merely unimpaired, but entrenched immovably in the confidence of the Victorian people.

It is from the turbulent years of this crisis that the present greatness of the State Savings Bank can be traced.

*John Alsop at the time he was appointed manager of the Melbourne Savings Bank in 1871.*



# The father of credit foncier

The financial disasters of the early 'nineties led indirectly to a dramatic change in the investment policy of the Commissioners; and this, in turn, brought into prominence a man whose personal influence on the destinies of the State Savings Bank was greater than any other individual in the Bank's long history.

The man was Mr George Emery. The change in investment policy was the introduction of credit foncier mortgages to Australian banking.

The desperate plight of Victorian farmers as a result of the tightening of bank credit suggested to Mr Carl Pinschof, Consul for Austria and Hungary, the subject of an address he made to the Melbourne Chamber of Commerce on November 11th, 1892.

Mr Pinschof described the existing system of mortgages over farmers' land as "unsound, dangerous, irrational and wasteful".

The only type of bank loan a Victorian farmer could then obtain, and for which he had to pay eight to ten per cent interest, was a short-term mortgage for possibly three years, certainly not more than seven. When the term of the loan expired, the farmer had to seek a renewal which involved him in heavy costs for agents' commission, valuation fees and legal expenses. If the expiration date occurred during a period of "tight money" the farmer might be denied a renewal. He would then have to submit his property to a forced sale at a severe loss.

Mr Pinschof contrasted this with the credit foncier system which he had seen operating successfully in his native Austria and in Germany and France. The term "credit foncier", he explained, meant literally "credit founded on land", and the essential elements of credit foncier were a long-term duration of the original loan, as much as 30 years, a low rate of interest, preferably not more than five per cent, and repayment instalments, due half-yearly, which remained constant throughout the period of the loan and which gradually paid off the principal as well as meeting the interest due.

The Consul's address attracted great attention in the Press, which seized on his suggestions as a road out of the financial mire into which the depression had led Victorian pastoralists and farmers.



Mr George Emery.

The Chamber of Commerce, itself, appointed a committee to prepare a report on ways in which the Consul's suggestions might be implemented. But that committee's deliberations were long and slow, and they did not produce the report until April 9th, 1894, and what they did finally have to say amounted to no more than their opinion that the idea was excellent in theory but difficult to put into practice.

The *Melbourne Age* (on April 10th, 1894) castigated the committee in words like these:

"As far back as November, 1892, Mr Carl Pinschof read a paper which convinced the Chamber that Victorian farmers were to be greatly benefited by these means; but the Council never saw its way to advocate the project lest it might seem to throw some faint breath of suspicion on the banks. . . . The delicacy of this sort of treatment is altogether too superfine for common everyday wear."

The Patterson Government of the day also thought the Chamber's report had merely dallied with the subject to no practical result. It, there-

## 1894-1929

fore, sought the opinion of the Commissioners of Savings Banks.

The Commissioners, in turn, passed the problem on to a young man whose position then was Secretary to the Commissioners. This was George Emery. It was a remarkable compliment to pay to a man aged 34 who had finished his formal education in the eighth grade of a country school.

He joined the Bank at Castlemaine — as a plaque in that office testifies — in 1874 at the age of 14, for a salary of £30 a year. Five years later he was transferred to the Melbourne office of the Commissioners and in 1893 the Commissioners made him their secretary.

Mr Emery cut clean through the maze of words which threatened to choke the implementation of credit foncier loans to farmers. The Bank, he said, could evolve a scheme of its own, even superior to that which Mr Pinschof had so admired in Europe.

Mr Pinschof, on the basis of his own experience, had been quite convinced that a credit foncier lending institution should be a separate entity; it should not be a bank lending its depositors' money on long-term mortgages, because depositors were entitled to have their money back at any time they chose.

The difference between the Consul's observations and Mr Emery's practical experience was this: the young banker had seen the growth of the Savings Bank to a stage of virtual impregnability. It had weathered the most disastrous depression in Australian history and emerged stronger than ever. If the Bank could ride out a hurricane of this fury without any serious depletion of its reserves, it could surely make long-term advances to farmers without having to retain its assets at short call.

Mr Emery's arguments so impressed the Commissioners that they immediately implemented a credit foncier system as far as the existing Savings Bank Act would permit, and which included these provisions: such a loan was to be not less than £200. The security must be freehold land. The interest would be five per cent, and the repayment instalments, due half-yearly, were to include interest and a gradual reduction of principal. Quite rightly, in view of

the prevailing economic conditions, the Commissioners restricted advances to not more than half of the value of the land offered as security.

This system came into operation in May, 1894. In the next twelve months only 158 loans were made for a total value of £73,875, but the road ahead was charted and the demand for credit foncier loans was to increase in tempo from year to year.

This increased demand was soon to move the Government to pass legislation which still affects the structure of the State Savings Bank. Despite the opinions of Mr Emery, who was probably the most capable banker Victoria has ever known, that the Bank could quite safely make credit foncier loans from depositors' funds, the Turner Government, then in power, brought down legislation on December 24th, 1896, which created the Credit Foncier Department of the Savings Bank as a separate institution, although still under the administration of the Commissioners.

The prelude to this legislation was a Royal Commission on Banking appointed by the Turner Ministry on December 5th, 1894. The Commission's terms of reference were to inquire into and advise on the desirability of a State Bank, and on the best means by which farmers and producers might obtain loans on favourable terms.

After sitting for most of the year, and taking detailed evidence from farmers who were in financial difficulties, the Commission presented its report to Parliament in November, 1895.

The report contained criticism of the Bank's investment policy which it described as "unsafe". It based this contention on the fact that the Commissioners had advanced £2,010,650 on the security of 131 city properties, one loan being as high as £125,000; the report also asserted that the Commissioners had been unwise to maintain over one million pounds on fixed deposit with the trading banks, and expressed the view that they should have offered assistance to farmers in the form of long-term, low-interest mortgages.

In preparing its report, the Royal Commission gave no cognizance to the nature and history of savings banking to that time. As a good example,

## 1894-1911

the Bank Commissioners, acting in an honorary capacity and without benefit of either Government finance or private capital, had pursued a policy designed essentially to safeguard the people's savings and only incidentally to assist the community in general. They had succeeded in nurturing the savings movement until it grew from the puny state set out on Page Six to the robust condition that enabled it to withstand the crisis of 1893.

The Royal Commission asserted that the policy of the Bank's Commissioners "caused a feeling of doubt and uncertainty in the minds of the depositors which culminated in a run on the institution".

It would have been surprising indeed if people had not shown some anxiety at a time when many private banks were failing either permanently or temporarily, but it was the prevailing conditions and not public dissatisfaction with the Commissioners' policy that brought about a so-called run on the Bank.

It should be remembered that while the Government guarantee was an aid to the Commissioners, the Bank met all demands from its own resources and that no depositor of the Bank lost a penny of his savings. Of the million pounds invested on fixed deposit with the trading banks, the Commissioners recovered all but £48,000 which was lost in the failure of the Federal Bank, and while losses were incurred on the forced sale of some city properties taken into possession, it is very doubtful whether a greater diversification of mortgages would have proved more profitable. The maximum amount the Commissioners had advanced on any property was 50% of the sworn valuation.

It is sufficient commentary on the public's confidence in the Commissioners to note that depositors' balances at June 30th, 1893, stood at £3,748,096, which was an increase of £33,852 on the previous year's figure.

By a majority verdict the Royal Commission recommended the establishment of a State Bank which should have the exclusive right to issue notes in Victoria. The Bank should take over all existing municipal overdrafts and make all future loans to municipalities.

To provide assistance to farmers, the State

Bank should have a land mortgage department which would make loans on the credit foncier principle. To provide the necessary funds, three per cent bonds should be issued for public subscription.

The amalgamation of the Commissioners' Savings Banks and the Post Office Savings Bank was recommended; the combined institution to become a division of the proposed State Bank.

Having digested this report, the Turner Government agreed that the savings banks should be amalgamated, but it believed the experienced Commissioners should control the combined institution. The Government was also confident that the Commissioners were best fitted to administer credit foncier loans. Nevertheless it felt that the establishment of a State Bank, with functions quite separate from those of the Savings Bank, was justified.

Accordingly, late in 1896, it presented a Bill to Parliament to give effect to its wishes. The proposal to create a State Bank received such a severe hammering in the House that it was deleted from the Bill, but the rest of the measure passed both Houses and as Act No. 1481 came into operation on December 24th, 1896.

This was undoubtedly the most important Act in the history of the Savings Bank to that time, and it is in many respects the most significant piece of legislation affecting banking which has ever been passed by a Victorian Government.

One of its provisions was to confirm the Government guarantee of the Savings Bank which had been issued in the emergency conditions of bank failures in 1893; that guarantee has been re-enacted ever since.

Because of the Commissioners' greatly increased responsibilities arising out of the savings banks' amalgamation and the administration of credit foncier, the Act provided for the payment of Board fees. For the previous 54 years, the Commissioners had acted in an honorary capacity.

It would be virtually impossible to over-emphasise the importance of those sections of the Act which created the Credit Foncier Department of the Savings Bank, but before tracing the development of that Department, reference

should be made to some other provisions of this momentous Statute.

The senior officer of the Commissioners' staff until 1896 had borne the title of "Comptroller of Savings Banks". The first man to hold this office was Mr James Smith, popularly known as "Jemmy", whom the historian "Garryowen" called "Governor La Trobe's right-hand man". He was, in fact, first manager of the original Port Phillip Savings Bank and continued as chief officer under the Commissioners until 1854.

"Jemmy" Smith was succeeded by Mr Charles Flaxman, a gentleman of diverse talents. He had been a newspaper editor and public accountant, and had acquired practical knowledge of savings banking as an original trustee of the Savings Bank of South Australia. He is the only chief officer of the Bank ever to die in office. That happened in 1869 and he was succeeded by Mr James Moore, a Master of both Law and Arts, who was so impressed with his own importance that he had a notice on his desk informing visitors that his time was valuable and he would be obliged if they did not take up too much of it.

In 1893, Mr Moore was succeeded by Mr William Robinson who came to Australia from Ireland in 1852 seeking a climate that might restore his failing health. He was appointed to the Commissioners' staff in 1858, and obviously made a wise decision in coming to Australia because he eventually lived to the age of 83. He was, perhaps, the most popular chief officer in the first 50 years of the Bank because he fought continuously for the welfare of the staff.

But quite undoubtedly the man who far overshadowed all his predecessors was Mr George Emery. The Act of 1896 changed the title of Comptroller to Inspector-General, which was later to be changed again to General Manager.

It was quite obvious that the manifold provisions of Act 1481 would greatly increase the responsibilities of the Chief Officer, and Mr Robinson, then aged 73, very sensibly decided to retire. The Commissioners showed admirable audacity in advancing Mr Emery to take over his post. Although he was then only 37 years old, Mr Emery had demonstrated his ability, his enormous capacity for work, and his burning ambition to achieve success by the manner in

which he had fathered the introduction of credit foncier to Victoria.

He was to need all these attributes in the testing period which followed his appointment. There was, firstly, the question of effecting the amalgamation with the Post Office Savings Bank. There were no less than 378 Post Offices which became agencies of the Commissioners' Bank; 378 Postmasters and their staffs to be instructed in a new set of procedures.

For ten months, Mr Emery drove his own staff to desperation point to achieve a smooth-working amalgamation; but he asked nobody to work as hard as he did himself. In a report to the Commissioners for their meeting in November, 1897, he wrote:

"The amalgamation was an event of unusual urgency and such pressure of work is not likely ever to occur again."

During this same time, Mr Emery, personally, was concerned with the much more important task of ensuring that the credit foncier system achieved its immediate objective — the rescue of Victorian farmers from the plight in which the financial excesses of the 1880's had involved them.

The Act of 1896 incorporated the recommendation of the Royal Commission, and, indeed, the advice given by Mr Pinschof in 1892, that the Credit Foncier Department of the Savings Bank should be a separate institution, a distinction that still remains, sometimes to the perplexity of the general public.

The major effect of this distinction was that the funds lent on mortgage should not be the savings of the Bank's depositors, but should be obtained by issuing debentures for public subscription. And this, in fact, was what was done for a considerable number of years after 1896, but the inevitable difficulty arose: if the credit foncier system was to achieve its objective of making money available at a reasonably low rate of interest, debenture holders had to be satisfied with an even smaller return on their investment. When other forms of investment offered equal security and higher rates of interest, credit foncier debentures lost their attractiveness.

Fortunately, the Act of 1896 empowered the

## 1911-1929

Savings Bank to purchase credit foncier debentures, and for many years now the Bank has continued to make low interest rate loans to the people of Victoria by the expedient of first issuing the debentures and immediately purchasing them all with its own funds. This is proof enough that the far-seeing Mr Emery was right in his original contention that the Bank could administer the credit foncier system from its own resources.

From 1897 until 1910, the granting of credit foncier loans was confined to its original purpose: the assistance of men on the land. But its benefits had been so remarkable and so obvious that the logical progression was to make a similar system available to the people of the cities.

In 1910, under the provisions of Act No. 2280, the credit foncier department of the Savings Bank was empowered to make loans on houses and shops based on the security of the title to the land. In the minds of many, many thousands of Victorians, the greatest benefit of the credit foncier system, which was originally conceived to help farmers, has been the opportunity to purchase homes of their own. Since the Act of 1910, close to 180,000 Victorian families have bought, or are purchasing, their homes with the help of a State Savings Bank loan. And this means, in effect, that State Savings Bank finance has provided housing for about one million Victorians.

But all this was yet to become history when Mr Emery was appointed Inspector-General in 1897. With a humility not always found in men of exceptional talents, he was ever willing to listen and learn from others, and he was receptive to any ideas which the Bank could adapt for the benefit of the Victorian people.

Due perhaps in part to his own rather humble background, he had a passionate interest in helping the common man. It was a great joy to him when the benefits of credit foncier were extended to the housing field in 1910, and immediately the Great War was over he worked tirelessly to make housing loans even more widely available.

Due largely to Mr Emery's efforts, Parliament passed legislation in 1920 to permit the Bank to

make such loans on the most generous terms to people whose income did not exceed £400 a year.

The capital cost of house and land was not to exceed £800, of which the borrower had to provide only one-tenth. The £800 limit was progressively increased as building costs rose.

The first of these loans was made in March, 1921, and their popularity was such that 1,052 applications had been received by June 30th of that year. To keep the cost of the houses as low as possible, while ensuring a high level of quality, the Bank established its own Building Department to design and supervise the erection of low-cost houses. The Department did its job so well that a State Savings Bank house could easily be sold at an advance of 15 per cent on its cost, but no sales at a profit were permitted until two years after the date of contract.

Ever willing to profit from other people's knowledge, Mr Emery visited the British Isles in 1926 to study low-cost housing development. The result was the building of Garden City at Fishermen's Bend.

On Mr Emery's recommendation, the Bank purchased 45 acres of waste Crown land at the Bend for £62,430.

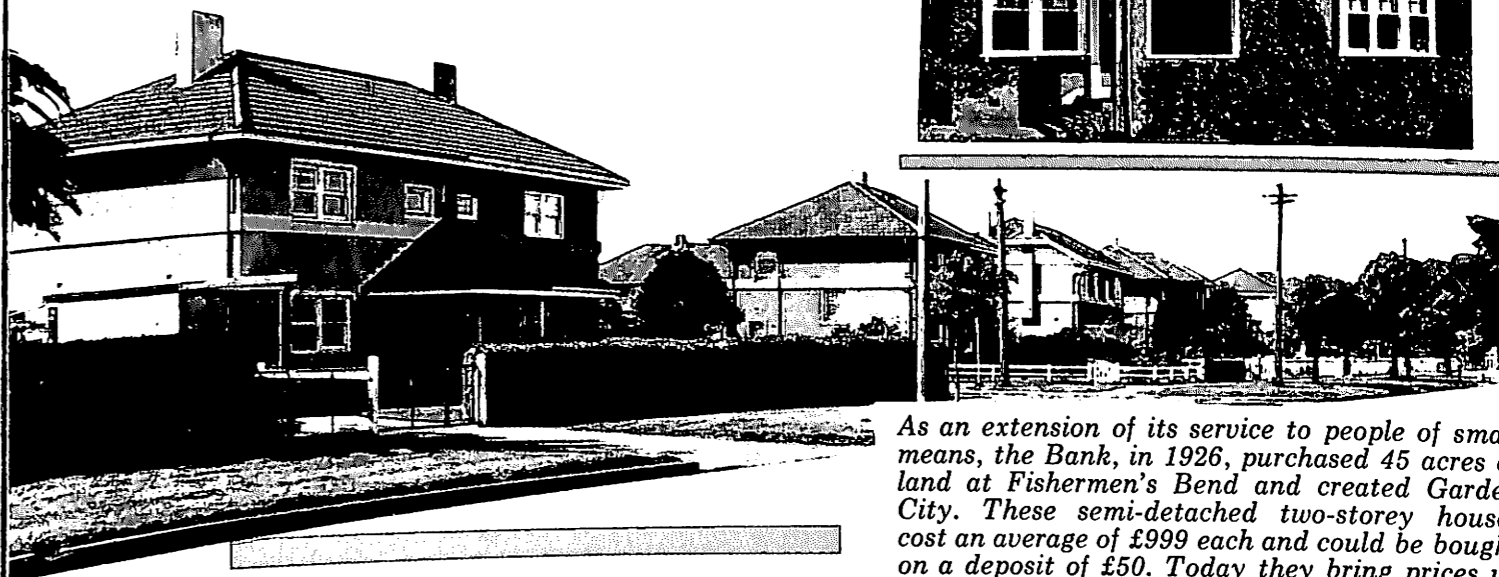
Provision was made for a central reserve and recreation ground and a shopping centre. The construction of roads and footpaths was carried out simultaneously with the building programme and became part of the capital cost of the buildings.

The houses themselves were semi-detached two-storey buildings of six separate designs spaced to avoid monotony. They contained, on the ground floor, a living room, kitchen, laundry and bathroom, and on the first floor, two or three bedrooms. In all, 184 houses were built at an average cost of £999. Purchasers had to provide a deposit of only £50 plus the cost of supervision and legal fees.

Garden City is still a show place and today, 40 years after they were built, the houses sell for as much as £7,300 (\$14,600). Truly they stand as a monument to George Emery. But that remarkable man was responsible for many other great achievements during his record term of 32 years as General Manager. These are discussed in the next chapter.



In 1920, the Bank established its own Building Department to design and supervise the erection of homes for people of small means. The house (left), which could be built for £595, was one of the first of the Bank designs. From 1924 onwards, the Building Department extended its services to design homes for credit foncier applicants. The house below was one of 28 designs available in 1927 and cost £800 in brick. There were also 56 designs available in timber construction.



As an extension of its service to people of small means, the Bank, in 1926, purchased 45 acres of land at Fishermen's Bend and created Garden City. These semi-detached two-storey houses cost an average of £999 each and could be bought on a deposit of £50. Today they bring prices up to £7,300 (\$14,600).



The building industry was temporarily crippled by the depression of the early 1930's, but conditions improved slowly from about the middle of that decade. This was one of the more elaborate houses which were designed by the Bank's Building Department in 1939, to be built at a cost of between £1,175 to £1,400.

# A NEW CENTURY

On May 9th, 1901, the Duke of Cornwall and York (later King George V) opened the first Commonwealth Parliament in the Exhibition Building, Melbourne.

The progress of the Australian colonies towards Federation was made long and slow by many contributing factors, not the least important of which were the immense distances that separated the seats of Government of the various colonies, the slowness of communications in the 19th century, and the thin spread of population over an area almost as large as the United States of America. When Federation was finally achieved on January 1st, 1901, and the designation of "Colonies" changed to that of "States", the entire population of Australia was slightly less than 3,900,000 people.

Federation brought beneficial changes to every aspect of Australian life, including savings banking. At that time there were Government Savings Banks in New South Wales, Victoria, South Australia, Western Australia and Queensland; in Tasmania the savings bank movement had developed more on English lines. Then, as now, there were Trustee Savings Banks at Hobart and Launceston.

In accordance with the insular outlook that divided the Colonies during the 19th century, the various savings banks had remained not only virtually ignorant but indeed indifferent to each other's thinking and progress. The "togetherness" engendered by Federation led to the first exchange of ideas between the chief executives of the Australian savings banks. This occurred at a conference in Sydney in August, 1906. The Victorian delegates were Mr Emery and his second-in-charge. Mr Alex Cooch, whose title was then Chief Inspector.

More will be said of Mr Cooch later, but at this period it should be mentioned that he, too, was an officer of outstanding ability. He ran in double harness with Mr Emery for over 30 years and it was rather unfortunate for him that when he finally succeeded Mr Emery as General Manager in 1929, the Depression curtailed his opportunities for making further contributions to the Bank's progress.

One of the most important results of the Sydney conference was the framing of a system which enabled depositors of any member bank to transfer money to and make withdrawals from its interstate counterparts.

Amongst the Victorian delegates' contribution

to the conference discussions was the submission of a system of school banking. Mr Emery brought up the subject of "Penny Savings Banks", as school banking was then called. He said that Victoria had many Penny Banks, mainly run in a half-hearted fashion by self-appointed trustees in Sunday Schools and charitable institutions. He thought it would be very much better if the system were brought under the control of the savings banks with the co-operation of teachers.

Mr Cooch explained that, with the consent of Mr Emery, he had written to every country in the world where school banking was conducted and had concluded that the U.S.A. system was by far the simplest and most effective. He had obtained copies of the American books and forms which he submitted for examination.

The delegates to the conference agreed that the system was all that Mr Cooch claimed and they passed a resolution that it should be incorporated into savings bank procedure throughout Australia.

Negotiations with educational authorities and other factors delayed the introduction of school banking to Victoria until November 11th, 1912. At that time, there was an almost equal number of State and private schools in Victoria; in actual figures, 481 State and 439 private schools.

The private schools were at first reluctant to accept school banking, and when the system began, it was established in 179 State schools but only 15 private.

That was the beginning of an idea that flourished with all the vigour of the Biblical mustard seed. The first few pennies saved by the school children of 1912 have grown into millions of dollars in 1966. As this is written, there are banks established in 2,550 Victorian schools, with an aggregate of 422,490 young depositors who own the extraordinary total balance of over eight million dollars.

It is a tribute to the discernment of both Mr Cooch and Mr Emery that the system they so admired and impressed on the delegates at the 1906 conference is still virtually unchanged except for an extension introduced in 1957 by which the students of many secondary schools now conduct their own "student-operated banks"

1901-1929



The teachers and pupils of Hawksburn State School in 1912, the year when the Bank introduced school banking to Victoria. Hawksburn had one of the original school banks and for many years the pupils there had the highest balances of any school in the suburban area.

to gain experience of commercial procedures.

School banking was not the only encouragement to juvenile thrift discussed at the 1906 conference. Mr Emery said that the Victorian Bank had experimented with the idea of issuing money boxes, using two or three country branches as testing points. He was convinced that they would be a success on a national scale. And again his judgment was sound.

Since the Victorian Savings Bank first issued money boxes, at sixpence each, in 1908, millions of these handy receptacles have not only given youngsters their introduction to saving, but have given their parents the incentive to put aside small coins which, individually, did not justify a trip to the Bank.

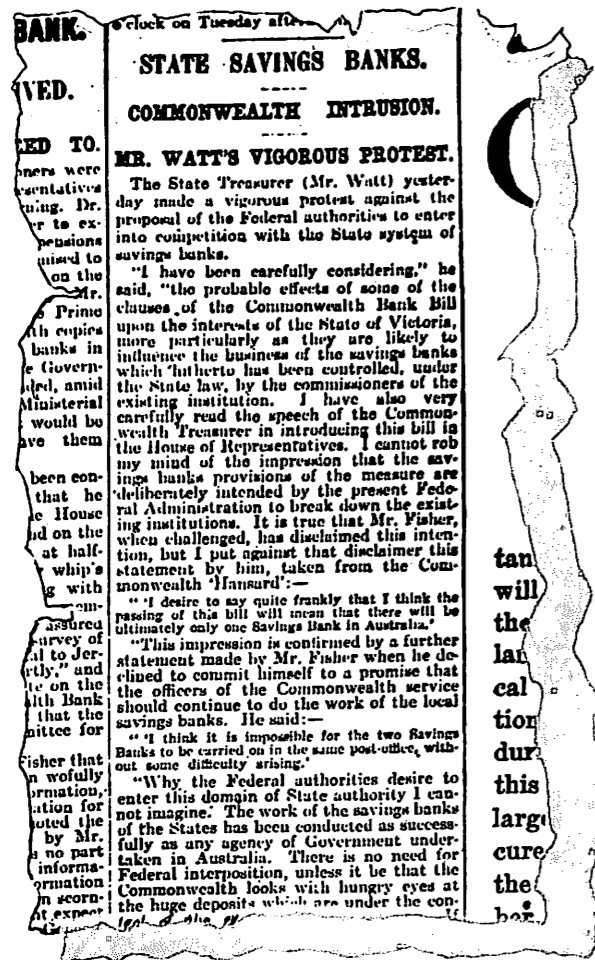
Other interstate conferences were held in 1910 and 1911, but while the State savings bankers welcomed the brotherhood which had come

about as the result of Federation, they were rudely shocked in the following year, 1912, when the Federal Government exposed them to the competition of the savings bank department of the newly-formed Commonwealth Bank.

The initial shock to the Victorian Commissioners was the offer made to Mr Emery to become Governor of the Commonwealth Bank at a greatly increased salary. According to Mr Emery's daughter, who is now Mrs Elsie Wilson, he had not the slightest hesitation in declining the offer. No amount of money would have induced him to compete against the Bank for which he had an almost personal affection.

In Victoria, as no doubt in the other States, most of the newspapers were as indignant as the Bank's own executive at what they considered unwarranted competition for an institution which, as Mr Cooch himself said: "for 69 years has served the Victorian Government and the people so well".

But far from proving a threat to the continued existence of the State Savings Bank, competition from the Commonwealth Bank brought beneficial results. As was related earlier, savings banking began as an act of charity by philanthropic men to assist "the working class", and



The Victorian Government, press and public, as well as the Commissioners themselves, were upset and angry at the Commonwealth Bank's decision to enter into competition with the various State Savings Banks. The Victorian Premier was reported in the Melbourne "Age" (23/1/1912) as describing the decision as "the most flagrant act of Federal usurpation they (the States) were acquainted with". The cutting reproduced from the "Argus" is typical of the press reaction. Despite the fears expressed, competition proved beneficial.

there was always the danger that this paternal attitude might unwittingly become autocratic.

Competition was exactly the safeguard needed to avert this danger, and it was not entirely coincidence that the range of the State Savings Bank's services to the public was greatly broadened in 1912.

The first requirement was to find substitutes for the Post Office agencies which became part of the Commonwealth Bank network. No difficulty was found in enlisting private business men and the branches of other banks to act as agents. The Commissioners vacated the Post Offices on May 31st, 1912, and within a month had appointed 319 agents and opened no fewer than 34 new branches. In all its previous history the Bank had opened only 69 branches — an average of one a year — so that the establishment of a further 34, virtually overnight, was in itself an extraordinary extension of the Bank's services.

Twelve months later, Mr Emery was to report: "The newly-appointed Agents . . . have fully justified their appointment, and the number and amount of transactions, and accumulation of deposits, have continued to increase steadily".

"Steadily" was a rather conservative summary of the year's growth. The total of depositors' balances soared during the 1912/13 financial year by £1.9 million to £21.5 million, to which the newly-established "Penny Bank" contributed a modest £3,709.

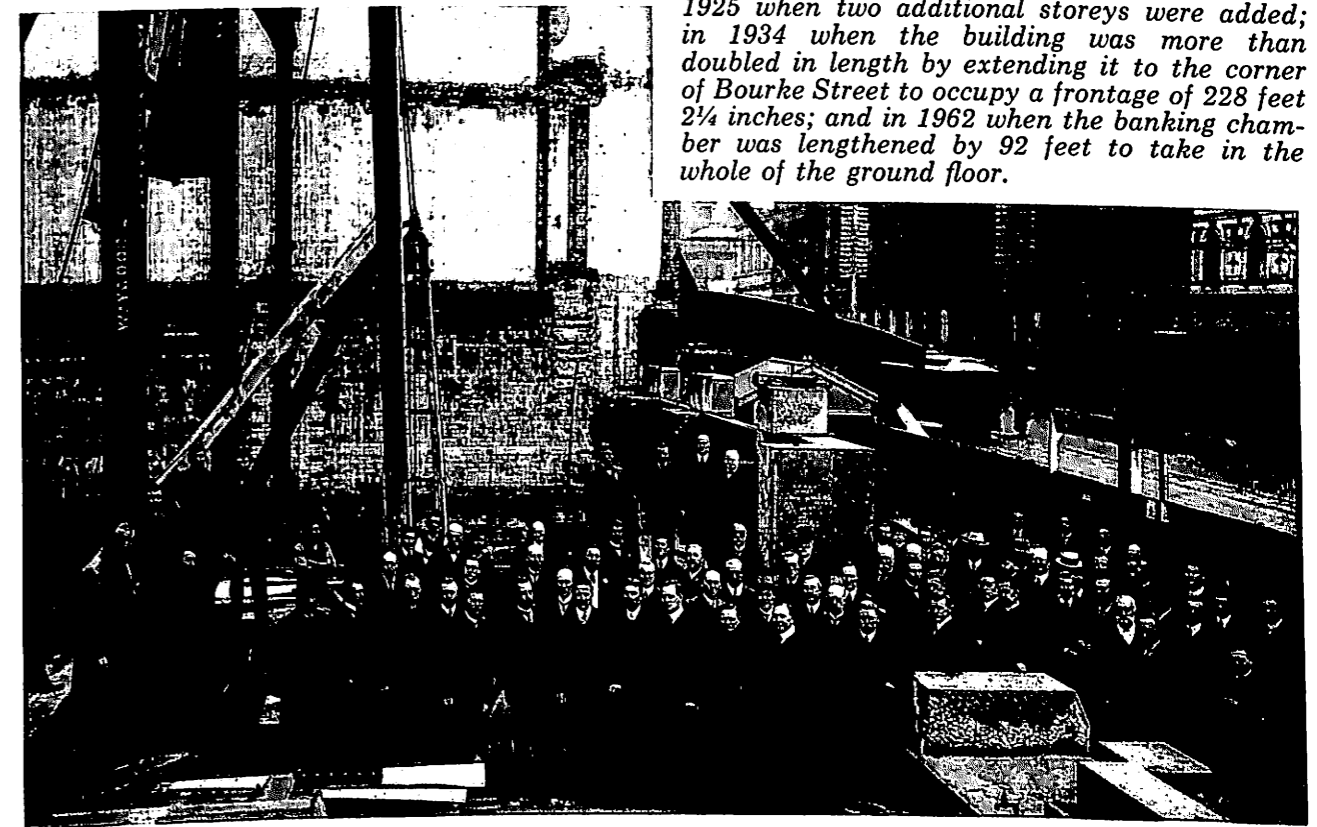
Apart from greatly extending its network of branches and agencies, the Bank introduced new services to counter Commonwealth Bank competition. For 32 years prior to 1912, the maximum amount on which a depositor received interest had remained at £250.

The Commissioners realised that if this amount were not increased, the wealthier depositors would be tempted to transfer their balances in excess of £250 to earn interest in the Commonwealth Bank. Accordingly, they raised the interest-bearing limit on pass book accounts to £350, but more importantly they introduced (in October, 1912) an entirely new service of fixed deposits known as "Victorian Savings Bank Deposit Stock". This permitted depositors to lodge up to £1,000 on fixed deposit which could

be withdrawn by giving notice varying from a few days to six months, according to the amount required.

Over the years since then, Deposit Stock has become one of the Bank's most popular services. It is now subject to a maximum of only one month's notice, irrespective of the amount involved, and this easy access, together with the income tax rebate on the interest earned, makes so much appeal that the total amount lodged at June 30th, 1966, was a huge \$109.7 million.

Still seeking to ward off the danger of losing depositors to its new rival, the Bank in October, 1913, introduced a Safe Custody Department to receive sealed packets and boxes containing deeds or documents. When the outbreak of the Great War made investment in Government Loans a patriotic duty, the Safe Custody facilities were extended in 1915 to the care of debentures.



In 1910, the Bank conducted a competition for a design of a new Head Office to replace the Market Street premises it had occupied since 1858. Fifty-three entries were received and the winning design was submitted by Messrs Grainger and Little. The foundation stone was laid on September 7th, 1911, by Captain A. Currie, Chairman of Commissioners. At a luncheon to celebrate the occasion, the General Manager, Mr George Emery, said: "Business has grown so much that we have to leave our home and move into a mansion."

"The mansion" was officially opened on December 16th, 1912, by the Governor of Victoria, Sir John Fuller. In its original size, as shown in the picture overleaf, the building had a frontage of 103 feet 3 inches to Elizabeth Street. Extensive alterations and additions were made in 1925 when two additional storeys were added; in 1934 when the building was more than doubled in length by extending it to the corner of Bourke Street to occupy a frontage of 228 feet 2 1/4 inches; and in 1962 when the banking chamber was lengthened by 92 feet to take in the whole of the ground floor.

## 1901-1929

tures issued or guaranteed by the State or Commonwealth Governments.

With the onslaught of competition, the vast extension of the branch network, introduction of school banking and deposit stock, the year 1912 was certainly one of the most momentous in the Bank's long history. But two other important events also occurred in that memorable year.

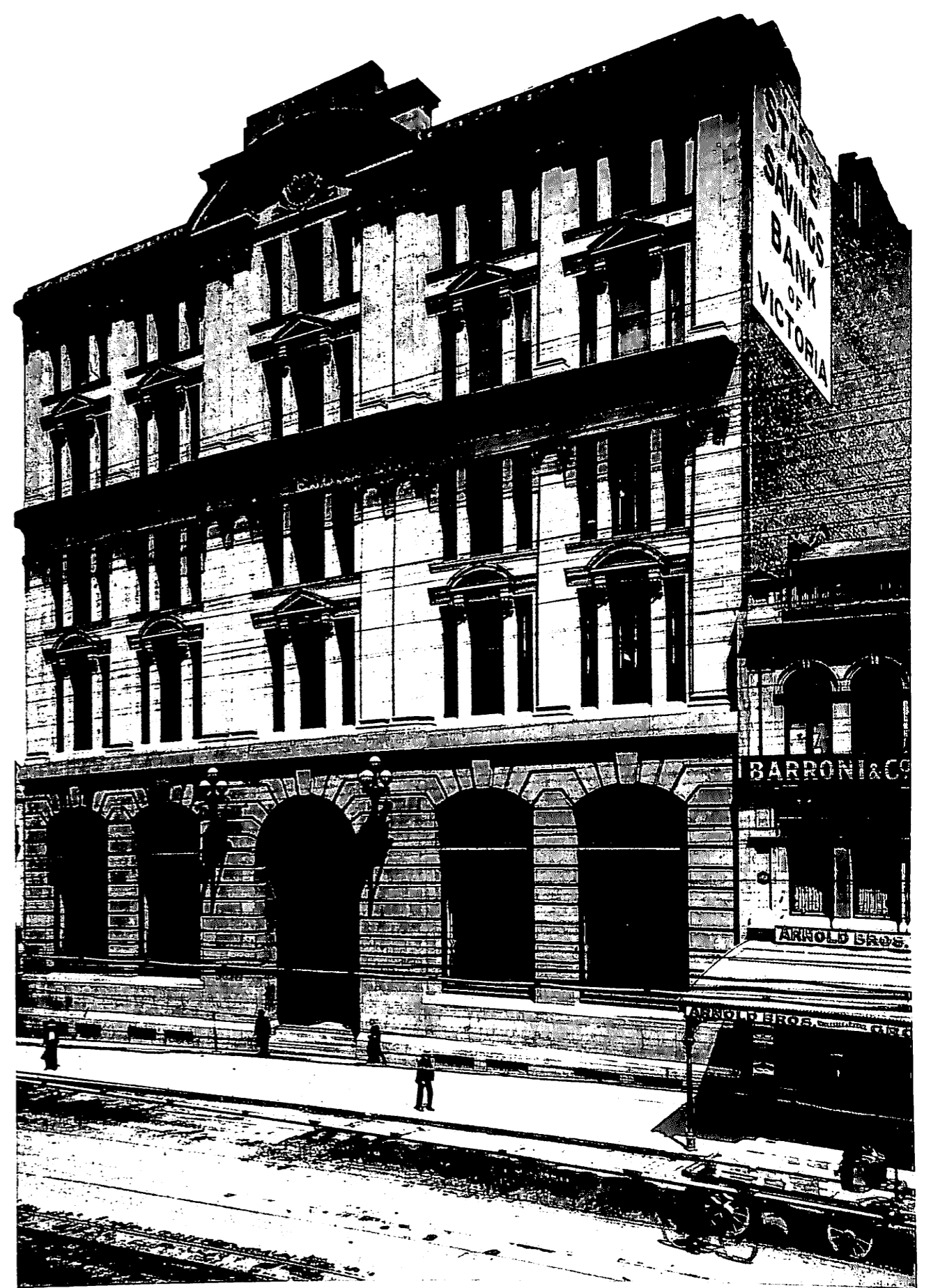
The pretence that the branches of the Bank were separate institutions, which had been kept up since the Commissioners were first appointed in 1853, was finally abandoned as a result of an Act of Parliament which brought the Commissioners' banks under a common designation — "The State Savings Bank of Victoria".

On December 16th, 1912, the Bank moved its Head Office from the Market Street building it had first occupied in 1858 to its present site in Elizabeth Street, which occupies portion of

the allotment originally purchased by Robert Hoddle in 1837. Hoddle had obtained the entire Elizabeth Street frontage from Bourke Street to Little Collins Street for only £54.

At the same time as the Head Office departments were moved, the branch in the Equitable Building on the corner of Elizabeth and Collins Streets was also transferred and the accounts incorporated in the business of the branch which was established on the ground floor of the new Head Office building

*In December, 1912, the Bank transferred its Head Office from Market Street to Elizabeth Street. For the short journey to their new home, the ledgers and registers were piled on to an open dray. Fortunately the sun was shining brightly.*



## 1901-1929

After 1912, the Commissioners continued to extend their branch network (12 new branches in 1913, 8 in 1914 and 5 in 1915) until Australia's involvement in the Great War brought a temporary halt to expansion.

Australians, who had lived happily isolated from the quarrels of Europe, were bewildered by the outbreak of a conflict which was to take toll of 60,286 young Australian lives and wound a further 106,291.

For a short period after the declaration of war, there was a mild run on the banks. In August, 1914, withdrawals from the State Savings Bank exceeded deposits by £179,000, but people soon realised the futility of hoarding money in their homes and the panic subsided. In fact, by the end of the war, deposits in the Bank stood at £31 million — an increase of almost £8 million since 1914.

Of the eligible males in Victoria, estimated at an average of 271,000 during the years 1914-18, 112,399, or 41 per cent, enlisted. The State Savings Bank's staff in August, 1914, consisted entirely of males and numbered 537. By Septem-

ber, 1915, 140 had enlisted for active service, and this number increased to 281 by the end of the war, of whom 46 lost their lives.

To replace the enlisted men, women were appointed for the first time in the Bank's history. One of these pioneers was Miss Maud Meadway, now living in retirement at Sorrento.

She recalls that some men never reconciled themselves to the presence of women at work. When she asked the manager of her father's bank for a reference, he roared: "Women in banks, Nevah!"

Most of the girls who joined the Bank were daughters of country branch managers or successful businessmen. They had no real need or desire to work but, to quote Miss Meadway, "actuated by patriotism, and as their war effort, they voluntarily shelved personal projects and denied themselves the leisured life they could have enjoyed. They lived instead the restrictive

*Troops embarking at Port Melbourne. Of the 537 on the Bank's staff at the beginning of the first war, 281 enlisted.*



one of service in the Bank, and had every intention and prospect of resigning when the soldiers returned. It did not work out this way, though. Fathers, brothers and sweethearts were killed in action, and some (of the girls) found they would have to go on working to earn a living".

Of the 139 women appointed during the war, the Bank retained 31 on its permanent staff; but it was not until war came again in 1939 that women formed a considerable proportion of the Bank's work force.

When peace finally came towards the end of 1918, it was possible to think again of expanding the Bank's services to the public. The number of workers and the amount of business being transacted in Melbourne's "Golden Mile" — the area bounded by Flinders, Spring, Lonsdale and Spencer Streets — had increased out of all comparison with pre-war days. The Bank's three city branches in Flinders, Bourke and Elizabeth Streets were quite inadequate to cope with the needs of city workers, and substantial new branches were established on the busy, central corner of Flinders Lane and Swanston Street, and in the western sector of the city on the corner of Collins and Spencer Streets.

One of the most remarkable developments of savings bank practice in Australia was inaugurated during the late 1920's. It was the result of

*To replace the men who enlisted during the first world war, women were appointed to the Bank staff for the first time. Some of these female pioneers are shown in this picture of the Elizabeth Street banking chamber.*

an international conference of savings bank officials held in Philadelphia, U.S.A., in October, 1926. The conference attracted delegates from 19 countries, and the Australian delegation was led by Mr Cooch, who was then Assistant General Manager.

When he returned from the conference, Mr Cooch made some prophetic comments in an interview he gave to the *Melbourne Herald*. He had admired two aspects of the American financial scene: decimal currency, which he believed Australia should adopt; and the use of mechanical aids to bookkeeping.

"Machines", he said, "can be made to order to do any conceivable series of operations."

It was an accurate forecast of the automation age that was later to come to Australian banking, and there is no doubt that Mr Cooch would have implemented a mechanization scheme in the State Savings Bank had not the depression of the 1930's frustrated his plans.

However, there was one immediate and important result of the Philadelphia conference.

1901-1929

With Mr Emery's enthusiastic approval, Mr Cooch set up a Service Department in 1927, and sent "missionaries" into factories and offices to launch Australia's first "bank-where-you-work" scheme.

By talking vigorously during lunch-time breaks and distributing explanatory literature, these Service Department officers persuaded thousands of workers to join Group Savings Clubs. Writing in a newspaper article in 1929, Mr Alfred Gibson, who was then the officer-in-charge of the Service Department, gave some examples of the workers' reaction to this innovation.

"Lunch-hour talks at factories confirmed our suspicion of the lost habit of saving. We discovered that numbers of people on the basic wage had long given up the idea that they would ever be able to save money. Such a wage-earner feels that he cannot preserve his dignity by marching into a bank and depositing one shilling or even half-a-crown."

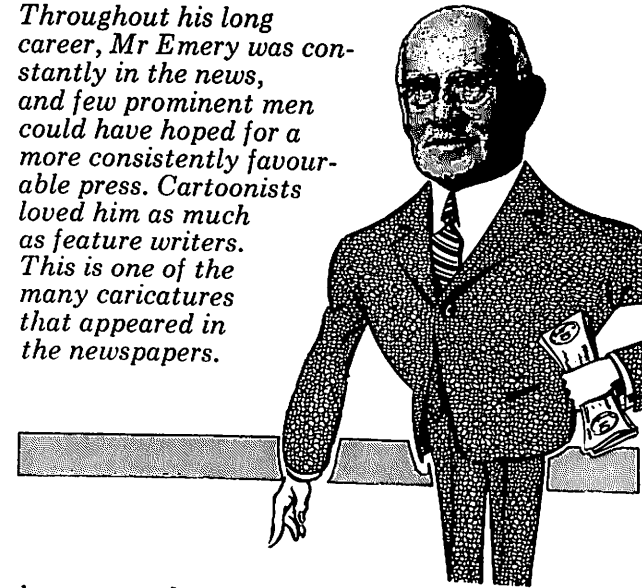
By placing locked boxes in the factories for the receipt of envelopes containing a shilling or two each pay day, the Bank started a form of saving which, in Mr Gibson's words, "changed the lives and habits of thousands of people". He quoted the reaction of the workers at Swallow and Ariell's factory, some of whom had been there since the 1880's, when the sketches shown on Page 18 were made. "Lord", these veteran workers said, "why didn't they start this 30 years ago? We'd all own our own homes by now".

If the scheme was indeed 30 years late in starting, it has flourished ever since, and industrial savings in various forms is today a most important part of the Bank's complex operations.

On August 15, 1929, Mr Emery retired after a record term of 32 years as General Manager, a record that will probably stand for evermore. In that long period of time, he was constantly in the news and it is one of the many extraordinary tributes to this remarkable man that nowhere in the pages of press cuttings about him is it possible to find even a hint of criticism. Few prominent men in Victoria's history have been so consistently admired.

In 1924, the golden jubilee year of his service,

*Throughout his long career, Mr Emery was constantly in the news, and few prominent men could have hoped for a more consistently favourable press. Cartoonists loved him as much as feature writers. This is one of the many caricatures that appeared in the newspapers.*



he was made a Companion of St. Michael and St. George. The Melbourne Sun (June 16th, 1924) said of him:

"An iron constitution, a strong ambition, boundless energy, the imperturbable nature of a man who never worries, but knows that all is well, and the devotion of his life to his work. Such are the chief attributes that have made a remarkable career possible."

On his retirement, the then Premier of Victoria, Sir William McPherson, said of Mr Emery:

"The State is deeply indebted to Mr Emery, for the way in which he has built up the Savings Bank. The Bank is his best memorial. . . . He has managed the institution so well . . . that it is rightly regarded as a fort of security. . . . [One of the best after-dinner speakers in the State, Mr. Emery has used his wit and his aptitude for captivating phraseology to . . . drive home the gospel of thrift. Thousands of people who have made their homes their own . . . know that they were given a fair deal by Mr Emery . . . I do not know of any man who has won more goodwill from the whole community."

Mr Emery died in 1937, aged 77, but his memory will live as long as the State Savings Bank endures.

# The grey years 1930-1956

To a large extent, the personal insolvencies, collapse of business enterprises, and bank failures of the 1890's were self-inflicted wounds for which Victorians could blame their own overweening greed.

It was another matter when the prosperity of the 1920's was brought to an abrupt end by a world-wide depression in 1929. Almost overnight, Australia found its basic exports of wheat and wool could no longer be sold abroad for a sufficient price to pay for its imports. It became impossible to overcome this balance of payments deficit by borrowing abroad. Australian Government securities had suddenly lost their attraction for overseas investors.

As a result the international reserves of the banking system were slowly depleted and urgent measures were required to preserve Australia's international solvency. The price of sterling started to rise in terms of Australian currency and despite strong opinion to the contrary a minority of banks pressed for and succeeded in achieving a substantial devaluation of the Australian pound. This action was taken to assist exporters and to discourage imports. While the exchange devaluation was a move in the right direction, the action taken with regard to public expenditure proved disastrous.

A "National Emergency Plan" was approved by the Premiers which recommended a drastic curtailment of Government expenditure, an increase in taxation, a reduction in interest rates and an expansion in bank lending. The banking measures proved effective after some delay but the measures regarding Government expenditure and taxation proved unfortunate.

In the event it proved impossible to reduce the budget deficits to the size planned but the effect of attempting such action was to prolong the depression.

The depression reached its worst point in July, 1932, when, according to the Labour Report, 1933 (No. 24), issued by the Commonwealth Bureau of Census and Statistics, the number of male Victorians registered as unemployed at the Government Labour Exchange was 61,214; the total number of people, both men and women, out of work at this time cannot be ascertained exactly, but it was at least twice as many as the

figure quoted. A reliable guide can be obtained from the 1933 census figures, when 89,549 Victorian males and 16,467 females stated that they were unable to secure employment. In addition there were a considerable number of youths and young women of working age who had never been employed and were "not at work" at the time of the census. The rate of unemployment in unions, other than those whose members were in permanent employment (e.g., railway and tramway employees) reached a peak of 30 per cent in the first week of July, 1932.

Thousands of other workers were on short-time and reduced wages; many farmers were forced to abandon their properties, and those who clung on found that the market price for their produce was not sufficient to pay the cost of growing it. The State Savings Bank managed to avoid dismissing any of its staff, but it is a sidelight to the prevailing conditions that in 1931 only one new appointment was made. In 1929, the Bank had taken on 106 new juniors.

It was in these desperate times that the State Savings Bank gained the reputation of being "Victoria's most benevolent landlord". In Chapter Five, the story was told of the birth and growth of the Bank's scheme to assist farmers and home buyers with long-term mortgage loans. In the years immediately preceding the onslaught of the depression this assistance had been extended to a greater degree than ever before. During the buoyant 'twenties, the number of depositors had increased from 886,000 in 1920 to 1,250,000 in 1929; and balances had soared from £38 million to £66 million.

As balances rose in the 1920's, the Commissioners stepped-up their mortgage loan advances. This programme reached its peak in 1928 and 1929 when the number of credit foncier loans increased by 3,826 and 3,589 respectively. When the depression hit Victoria, the number of current credit foncier loans was 46,000 and the total amount outstanding was £26 million.

With farmers desperately trying to wrest even a bare subsistence from their land, and a frightening proportion of the work force in the cities unemployed, the stability of the Bank was once again put to a stern test.

In August, 1930, new credit foncier advances



## THE DEMORALISING DOLE.

Sustenance as a "Right."

HOW INDEPENDENCE  
VANISHES.

(BY OUR SPECIAL REPORTER.)  
II.

The readiness of some people to accept public charity is well illustrated by the case of a married man at Bendigo who was indignant when his claim for sustenance was rejected. He was certainly not in employment, but he had £1,800 in the bank, and he had refused an offer of £1,000 for the house in which he lived with his wife. On another occasion a decently dressed young man flung out of the sustenance office and demanded of a taxi-driver to be driven to the superintendent of police. "We'll soon see," he declared angrily, as he handed over 4/-, the amount of his fare. "whether these people can refuse me sustenance."

*In mid-1932, when the Depression was at its worst, over 100,000 Victorians were out of work. The Government granted a small weekly sum known as "sustenance" or more commonly "the dole" to the unemployed. The picture shows a group of Victorian men on their way to collect their "dole". The newspaper cutting is from the Melbourne "Argus", then an ultra-conservative paper, which considered the dole demoralising. Perhaps it was, but the unemployed preferred it to nothing.*

and savings bank housing loans were suspended, mainly so as not to compete with the flotation of loans for the financial programmes of the Federal and State Governments. The only advances made until October, 1934, when applications for mortgage loans were again accepted, were in the form of further loans to enable farmers to carry on, or to suburban householders to make essential repairs.

But in the grey years from 1930 to 1934, the Bank showed the utmost tolerance to the mortgagees who found it difficult to meet their instalments of principal and interest.

In the Bank's Head Office, there is a huge file of letters received from borrowers who had to look to the Commissioners' leniency in this period. A few extracts tell their own story:

*"I am afraid I have given you a lot of bother, but I must take this opportunity to thank you for being so patient. You were better than a stepfather to us."*

*"Today we received our greatest gift, and we refer to the deeds of our home, and I may add the help and thoughtfulness and kindness shown by the Commissioners of the Bank made it easier for us during the Depression."*

*"... will you please accept my grateful thanks for your courtesy and helpfulness during the years I was indebted to you, especially during the years of depression when you eased the burden so that I could meet all payments."*

The Commissioners took the first step to "ease the burden" on April 1st, 1931, when they voluntarily reduced interest rates to a maximum of six per cent; in the high interest rate era of the late 1920's this rate had climbed to a peak of seven per cent. This concession amounted to £50,000 a year on credit foncier advances.

On October 1st, 1931, the Federal Government brought down legislation which compulsorily reduced the interest rate on Government and municipal bonds and allied securities by more than one-fifth, and this reduction was applied to credit foncier loans. Through 1933 and 1934, the Commissioners made further voluntary cuts

in the credit foncier rate until it was brought down to 4½ per cent. The combined effect of these concessions was to save credit foncier borrowers £360,000 a year. In the same period, the interest rate on depositors' balances was cut from four per cent in 1931 to 2¼ per cent in 1934.

But it was in a much more personal way than the adjustment of interest rates that the Bank earned its reputation for benevolence in the Depression years. The present manager of the Mortgage Loans Department, Mr W. S. Howden, was then one of a group of men charged with the difficult task of interviewing borrowers who were unable to keep up their repayments. This is how he recalls those years:

*"It was a terrible time. Every day we heard heart-breaking stories of misfortune which had afflicted decent people through no fault of their own. And if there was any chance at all of a man pulling through, we stood by him, and we were able to save many of them."*

*"We spent as much time as was necessary to find out exactly how the borrower was situated — his income, however small, his commitments, and we advised him how to organise his payments in order of importance. There were a lot of rapacious second mortgagors who scared the wits out of some of our borrowers by threatening to foreclose if they were not paid regularly. We were able to reassure our borrowers that these were usually empty threats which they could safely ignore."*

*"If we saw any hope for our borrowers at all we came to the most liberal terms with them. In many cases we suspended the payment of principal entirely until better times came, and asked the mortgagees to meet the interest payments only. And we agreed to accept these payments on a weekly basis rather than every three or six months as their contract called for. That made a lot more work for us, but we realised the temptations the borrowers would face to spend the money elsewhere if they had to hang on to it for months."*

*"I was tremendously impressed in those days with the honest co-operation that most people gave us. It was this spirit, plus the advice and assistance we gave them, that enabled so many people to retain their homes and farms."*

# 1930-1956

"Of course, there were some cases that were quite hopeless, and we advised these people to sell up while they could still salvage something for themselves, because the longer they stayed the more they ate into their equity.

"There wasn't much to laugh about in those days, but I must admit we got a sort of wry amusement out of a few incidents. There was one fellow who had been a policeman until his dubious activities resulted in his discharge from the force. He made no attempt to meet his repayments on his house and eventually we had to take the property into possession. At least that was our intention, but when we went out to the site, we found that this chap had piled the house on a trailer and taken it up country to sell it!

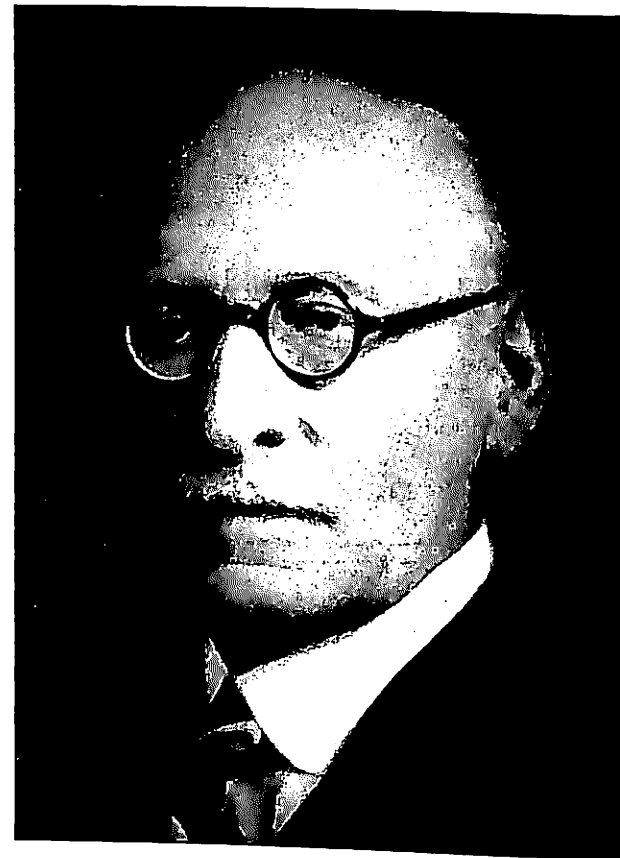
"There were quite a few occasions, too, when we found a house that we took into possession was minus floorboards — they had been used for firewood.

"But, as I said, although it was a dreadful time, full of heartbreak, my main recollection is a feeling of admiration for the courageous way the majority battled out of their troubles."

The "hattle" was a long and slow one, and it was not until late in the 1930's that the economy began to settle on an even keel. The Bank's balances were a barometer of the times. In 1929, these balances stood at £66 million. Two years later they had plunged to £57 million. In this period, it was the accounts with small balances that were most affected. This was natural, because these were the accounts of the unskilled and labouring members of the community who were first to suffer unemployment. By 1934, when the unemployment figure had been reduced from its peak of 62,000 to 31,000, the balances had climbed back to £61 million. By 1939, just before the world was again ravaged by war, the total of balances was £69 million.

The heavy responsibility of guiding the Bank through the testing years of the Depression rested on the shoulders of Mr Alex Cooch. He had been assistant to Mr Emery during that gentleman's long reign of 32 years as General Manager, and succeeded him to the senior position in 1929.

Mr Cooch joined the Bank in 1880 when it



Mr Alex Cooch.

was still confined to a handful of branches, and he had played a part second only to Mr Emery's in the expansion which made it the third largest savings bank in the British Empire.

Mr Cooch combined the qualities of sound, practical banking experience with a readiness to experiment with new ideas. He played a major role in the introduction of school banking and industrial savings groups, and, as was said in an earlier chapter, would have probably introduced a system of mechanization had the conditions of the 1930's been different.

In 1907 he was seconded to the Tasmanian Government to reorganise the savings bank system in that State, and in the following year he worked in New South Wales for several

months to assist in the strengthening of local savings banking. In 1916, he was chairman of the Royal Commission on the Victorian State Public Service and after the Commission had sat for 18 months was able to say with pride that the voluminous report it produced had cost the taxpayers only six pounds and a few odd shillings.

When Mr Cooch retired on March 1st, 1937, he was succeeded by Mr J. Thornton Jones, who was at the helm when Australia was again plunged into war in September, 1939.

By now the Bank was a very much larger institution than it had been during the 1914-18 war, and this was reflected in the number of staff enlistments. No less than 795 of the Bank's staff joined the various arms of the forces, and many of them became high-ranking officers. Perhaps the best known was Brigadier Selwyn Porter, who in later years was appointed Chief of the Victoria Police.

The Bank servicemen were awarded the following 41 decorations for gallantry and distinguished services:—

Commander of the Order of the British Empire .....	2
Companion of the Distinguished Service Order .....	4
Officer of the Order of the British Empire .....	1
Member of the Order of the British Empire .....	1
Military Cross .....	1
Distinguished Flying Cross .....	6
Bar to Distinguished Flying Cross .....	1
Distinguished Flying Medal .....	1
Air Force Medal .....	1
Mentioned in Despatches .....	21
Decorations by Allies:—	
Croix de Guerre (France) .....	1
Distinguished Service Cross (U.S.A.) .....	1

The other side of war was reflected in the tragic toll of 52 members of the Bank staff who died on active service. They and the 46 staff members who lost their lives in the first world war are remembered with sorrow in a simple ceremony held in the banking chamber of Elizabeth Street on Remembrance Day each year.

Once again the Bank looked to women to



On Remembrance Day every year, a simple ceremony is held in front of this memorial plaque in the Elizabeth Street banking chamber to pay tribute to staff members who lost their lives in the two world wars. Of the 281 who enlisted in the first war, 46 died on active service; in the second war 795 enlisted and 52 were killed.

take the place of the men who had enlisted, and as the Commissioners recorded in their annual reports during the war years, the girls "have continued to maintain, under difficult conditions, the Bank's standard of service to the community".

As happened after the first world war, most of the girls were replaced by the returned servicemen, but the time was coming when women would be regarded, not as a temporary expedient in the banking world, but as a considerable and

## 1930-1956

vital section of the work force.

During the darkest days of the war, the Bank, which had opened for business on January 1st, 1842, in the most humble way, achieved its centenary. It was a happy coincidence that in its hundredth year the combined assets of the savings bank and credit foncier departments reached one hundred million pounds, a figure that would have seemed astronomical to the first manager, "Jemmy" Smith, when he opened account number one for the illiterate servant girl, Mary Bowen.

With the war at a most critical stage, the Bank refrained from celebrating its centenary and the occasion passed virtually unnoticed.

Nobody regretted the impracticability of marking the Bank's 100th year more than Mr N. R. Williams, who had succeeded Mr Thornton Jones as General Manager on September 1st, 1940.

In its long history, the Bank has had only 10 General Managers, and each has contributed to its almost uninterrupted progress. But the external influences of depressions and wars have restricted the opportunities for personal expression of the men who have been in the senior positions in such critical times.

Mr N. R. Williams has himself described his term as General Manager as "a period of frustration" caused by the war and its aftermath. Nevertheless the Bank was fortunate to have his services at this particular time. A man with a brilliant analytical brain who had been awarded the O.B.E. for his work as Auditor to the 1st A.I.F., Mr Williams devised simple methods to replace existing cumbersome procedures surrounding the acceptance of Commonwealth Loans and War Savings Certificates. His suggestions were accepted by the Commonwealth authorities and resulted in the saving of a tremendous amount of precious manpower. This was particularly valuable at a time when those members of the Bank staff who were too old to enlist had to cope with an increased and more complex volume of work while training the large number of inexperienced juniors and women who had replaced the enlisted men.

Although there were only six new branches opened in the first three years of the war, and

none at all between 1943 and 1945, the total of balances more than doubled from £69 million in 1939 to £143 million in 1945; a clear indication of the amount of money generated by war.

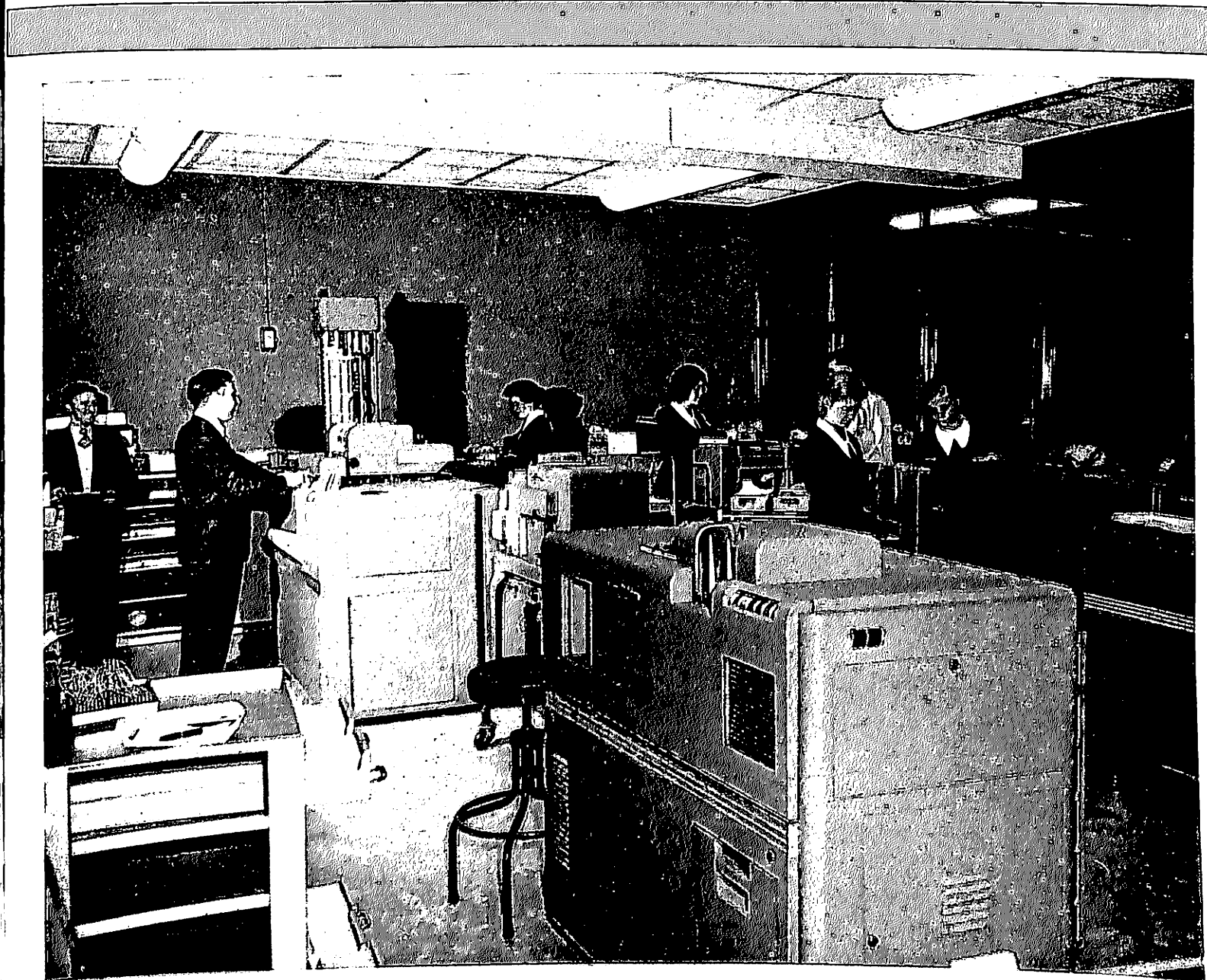
Even when the war ended, stringent building regulations prevented any great expansion of the branch network. It was some years, too, before the Bank could again step up its lending for housing. Shortage of building materials and the reluctance of builders to conform to the Bank's exacting standards while the seller's market lasted meant that only a trickle of credit foncier loans was made in the late 1940's.

In the first half of the next decade, branches were opened at the rate of three or four a year, and the activities of the credit foncier department expanded rapidly until they surpassed even the boom years of the 1920's. In 1953, advances amounted to £6.8 million, which was then an all-time record.

On March 29th, 1954, the General Manager, Mr N. R. Williams, left on an extended visit to the U.S.A. and Europe to study developments in savings bank practice. Like Mr Cooch before him, Mr Williams was tremendously impressed with the American methods of mechanization, and he resolved that the Bank should adapt the most efficient of the machines and systems available for its own operations.

Mechanization was to play an increasingly important role as the Bank adapted itself to the new conditions that followed the establishment of private savings banks in Australia.

*In 1954 Mr N. R. Williams went abroad to inspect current savings bank procedures. He was impressed with the role of machines in American banking, and, on his recommendation, the Bank embarked on a programme of data processing. This is the original punched-card equipment which was installed in the Chief Accountant's Department on the first floor of Head Office. In the beginning its sole function was to process the accounting of credit foncier loans. Since then the Data Processing Centre has been transferred to the third floor, and much more sophisticated equipment, including a computer, has been installed.*



# the changing face of banking

## 1956-1966



On the morning of January 19th, 1956, the newspapers carried confirmation of what had long been a rumour: the Federal Government had granted licences to two private trading banks (the Bank of New South Wales and the Australia and New Zealand Bank) to enable them to conduct savings bank business.

It was obvious that the other trading banks would be forced to seek similar licences and in fact they all entered the savings bank field between 1956 and 1962. Quite obviously competition from the new banks was going to add to the challenge the State Savings Bank of Victoria had encountered from the Commonwealth Savings Bank since 1912. And as had happened in that year, the challenge was met with a determination to maintain the Bank's pre-eminent place in the savings field in Victoria.

Previous chapters have traced the long, slow, but safe growth of the State Savings Bank to a position of substantial strength. At the beginning of the 1955/56 financial year, depositors' balances totalled £260 million and the Bank enjoyed the support of about three-quarters of the population of Victoria. Throughout Australia, the combined amount entrusted by the people to the various Government and trustee savings banks was then £1,073 million.

There was an inevitable, if temporary, drain-away of accounts to the new banks, for various reasons. Some long-term customers of the trading banks welcomed the opportunity to conduct all their banking under one roof. Others who were receiving or sought overdraft accommodation from these banks were persuaded to transfer

their own and their families' savings accounts.

As the State Savings Bank has no legislative power to grant overdrafts, this was, and remains, an effective method of inducing people to transfer their accounts.

In Chapter Six, the story was told that the State Savings Bank pioneered industrial savings in Australia and thus gave factory and office employees the opportunity of banking where they worked. The private savings banks now



*In 1927, the Bank introduced the first industrial savings scheme ever launched in Australia. Since then this "bank-where-you-work" service has been established in hundreds of places of employment, and officers of the Bank make regular calls to enrol new depositors. This picture was taken at the Eye and Ear Hospital, Melbourne, and shows a member of the Bank staff explaining the box scheme to trainee nurses.*

offered similar facilities and were able to persuade the proprietors of many industrial plants, who were in receipt of overdraft accommodation, to substitute their own "bank-where-you-work" schemes for those of the State Savings Bank.

The inroads made by the private savings banks were reflected in the State Savings Bank's balance sheets for 1956 and 1957 when the increase in balances was less than the amount of interest added to depositors' accounts.

It took the Bank a short while to adjust to this new competition. The Commissioners appreciated the need to expand the branch network in much the same fashion as had occurred in 1912. In the 1955/56 financial year, 27 new branches were opened and another 13 in the following year. But further and more imaginative measures were required if the State Savings Bank was to maintain its previous rate of growth and standing. Defensive manoeuvres were not enough.

An entirely new form of banking service was introduced on August 1st, 1956, when the Bank accepted payment of electric light accounts on behalf of the State Electricity Commission; a similar service for payment of gas accounts was introduced fourteen months later.

In January, 1957, the Commissioners appointed a Public Relations Officer and expanded the publicity department to promote the Bank and to portray as effectively as possible its role in the community. Since the days when Melbourne had been no more than a scattering of buildings along unmade streets and the State itself was yet to be created, the State Savings Bank had played a vital part in the development of Victoria and the welfare of its citizens.

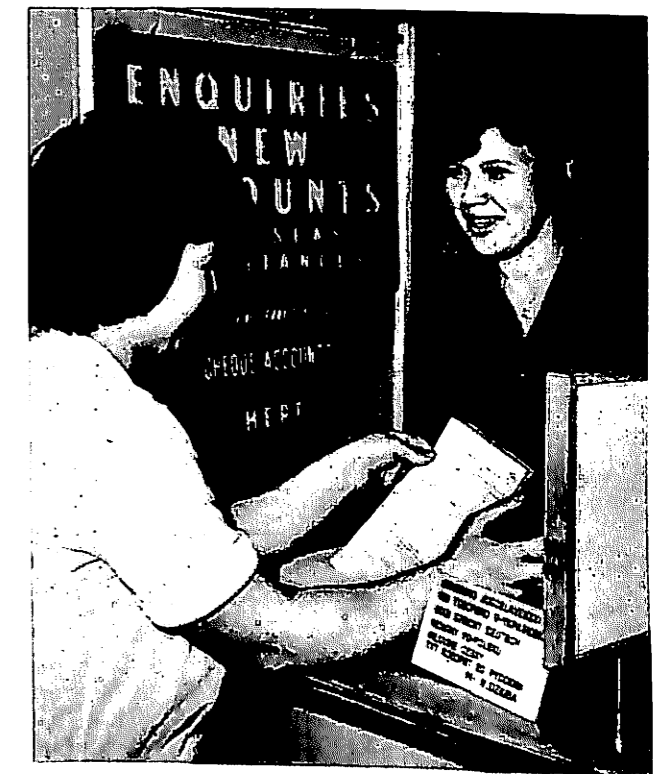
The outline of this story was familiar to the majority of Victorians, but it needed to be told in an effective manner. Moreover there was a whole new audience to whom the story was completely unfamiliar: the migrants who had come to Victoria in the post-war years.

In 1948, the Federal Government embarked on a programme to build up Australia's slim population with the addition of new settlers from abroad. Between 1948 and 1956 the net migrant arrivals (arrivals less departures) totalled 847,619 people. Of these, 289,902

settled in Victoria (Source: Commonwealth Bureau of Statistics).

The programme has continued unabated. The total number of new arrivals to Australia between 1948 and 1965 was 1,557,444, and to Victoria, 545,100; of Victoria's present population of 3,267,000 more than 16 per cent were born abroad, and possibly a further 10 per cent are children of parents from other countries.

All savings banks compete for the accounts



*Since 1948, Australia has welcomed over 1½ million migrants from abroad, and about 550,000 of these have settled in Victoria. To help newcomers with language difficulties and unfamiliar aspects of banking, the State Savings Bank has added many linguists to its staff.*

## 1956-1966

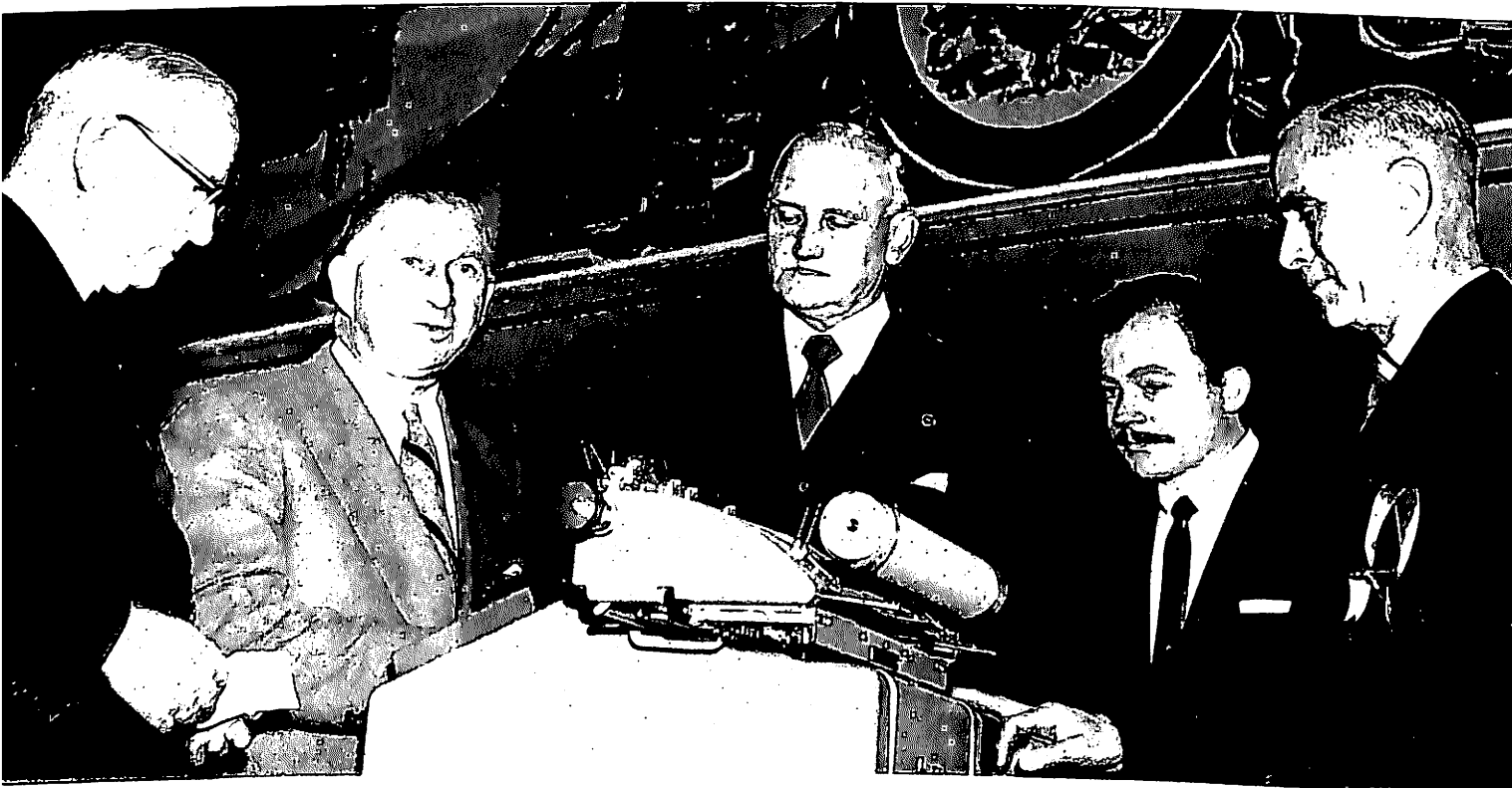
of these new arrivals and to establish contact with migrants before they leave the British Isles, the Bank opened an office in London in 1960. London Office also provides a valuable service to Victorians visiting England.

On March 25th, 1957, Mr N. R. Williams reached retiring age and was succeeded by Mr O. R. Carlson. One of Mr Carlson's first announcements to the staff was the news that from April 29th the Bank would extend hours of business at Elizabeth Street, 45 Swanston Street and Western branches which would henceforth be open from 8 a.m. to 6 p.m. so that depositors could do their banking before and after work. This was a radical departure from the English-based tradition that banks should close at 3 p.m. The new hours proved so popular that the rival banks were forced to follow suit.

On November 15th, 1957, the Premier of Victoria, Mr (now Sir) Henry Bolte, officially opened the Ryrie Street, Geelong, branch of

the State Savings Bank. This was the most remarkable savings bank that Australia had ever seen because it demonstrated that mechanized methods could be successfully and economically adapted to savings bank transactions. This had

*On November 15th, 1957, the Premier of Victoria, Mr (now Sir) Henry Bolte, second from the left, officially opened the Ryrie Street, Geelong, Branch of the Bank. This was Australia's first mechanized savings bank, and the success of this pilot installation led to the most advanced programme of bank mechanization in the Southern Hemisphere. Others in the picture are Mr A. E. Hocking, then Chairman of Commissioners; Mr O. R. Carlson, General Manager 1957-1962; well-known artist Mr Charles Bush, who painted the mural in the background, and Mr F. P. Lyons, first Manager at Ryrie Street.*



long been doubted because the average savings bank account is operated on only once a fortnight, whereas an active trading account might have two or three hundred transactions in the same period.

The evolution of an effective method of mechanizing savings bank transactions was an outstanding accomplishment. From the Bank's point of view it meant savings in cost of management at a critical period; to the public it meant quicker, neater and more efficient service.

A subsidiary — but important — benefit of mechanization was the elimination of any suspicion that the State Savings Bank was antiquated in its thinking or methods.

Ryrie Street was the pilot installation of what is now one of the most modern systems of savings bank accounting in the world.

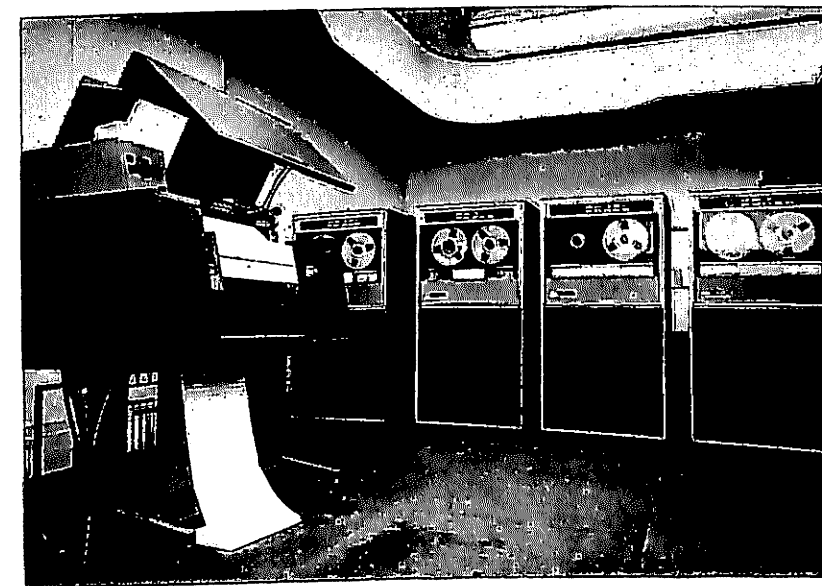
A most important development of this system occurred in October, 1960, when the savings accounts at the 45 Swanston Street branch were centralised; that is, the transactions on these accounts were processed at the Data Processing Centre which had been established at Head Office. To extend this system of centralization to other city and large suburban branches, the Bank installed a computer on September 11th, 1962. It was the first bank in Australia to do so.

and for two years remained the only Australian bank to possess a computer.

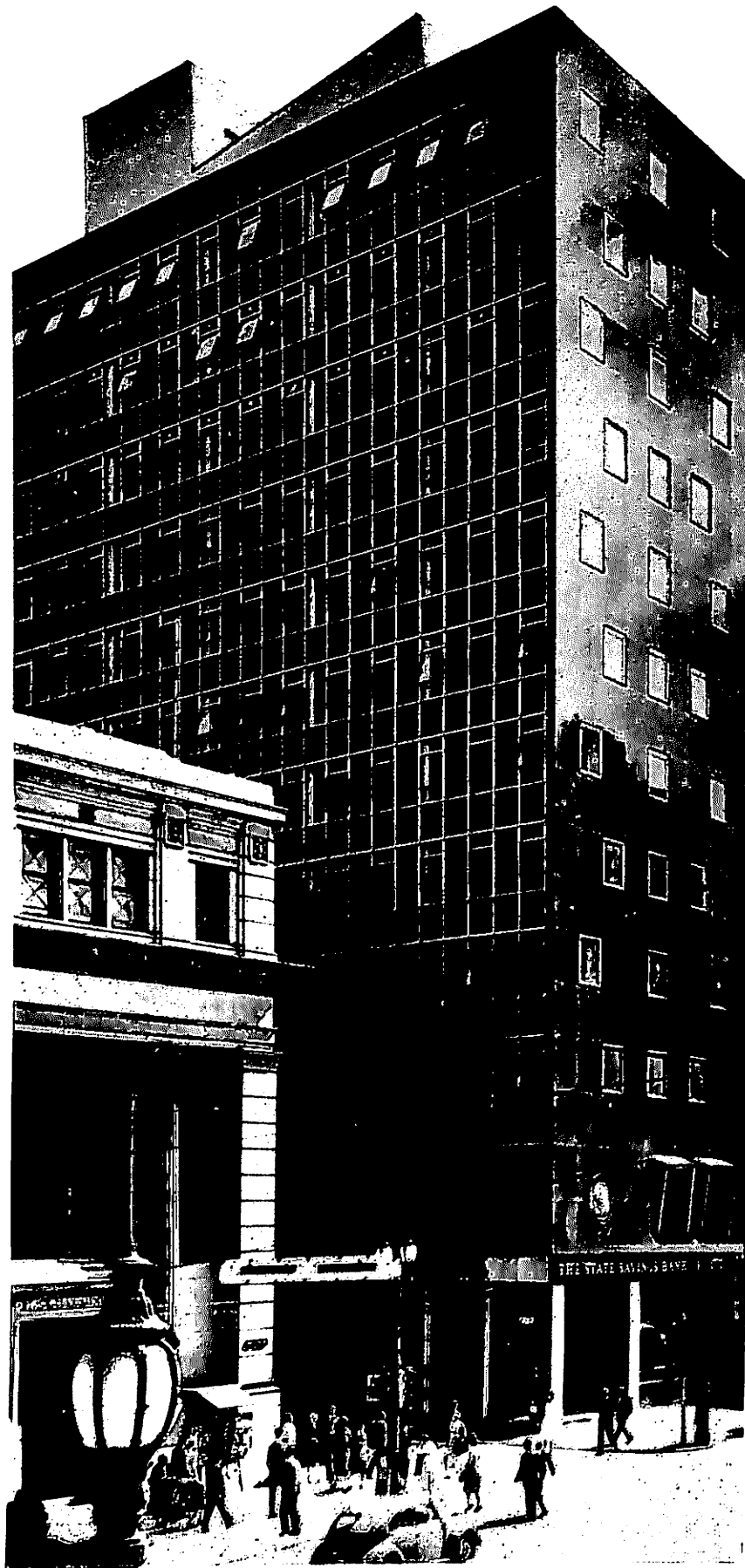
In 1966, the computer was processing the ledger work for 23 of the Bank's biggest branches, including the giant Elizabeth Street office, which has over two and a half million transactions each year. The staff at these 23 centralised branches have been freed of all the repetitive jobs attached to savings bank accounting. The computer posts all the deposits and withdrawals, calculates interest on depositors' accounts and balances the ledgers. This latter task, the balancing of ledgers, is so formidable that it was formerly undertaken only three times a year. At Elizabeth Street, for example, it used to take the staff of about 150 up to a week to strike a balance. Now the computer balances the ledgers for all centralised branches every day, and even the balancing of Elizabeth Street accounts takes only half an hour.

It has been a notable feature of the Bank's mechanization programme that it has selected all its own operators from within the staff, and the Bank's officers have evolved programmes of remarkable complexity to serve its growing needs.

In December, 1957, the Victorian Government passed legislation designed to improve and extend the functions of the Bank, and to remove some of the limitations which have unnecessarily



*On September 11th, 1962, the Bank installed a computer, the first bank in Australia to do so. The computer now processes the ledger work for 285,000 savings accounts at 23 centralised branches, as well as the accounting for the Christmas Club, child endowment disbursements, Credit Foncier Loans, Commonwealth stock and debenture interest payments, staff salaries, mortgage loan statistics, and the Education Department payroll.*



## 1956-1966

restricted the powers of the Commissioners. An important change effected by this legislation was the authority it conferred on the Commissioners to provide cheque account facilities for the general public. For many years the Bank's power to allow accounts to be drawn on by cheque had been limited to accounts of societies, institutions and certain associations. The new service was introduced on March 3rd, 1958, and proved so popular that by June 30th, 1966, the number of cheque accounts in operation was 165,537.

The effect of the moves made in 1957 was apparent when the balance sheet for the 1957/58 financial year was prepared. The drain of balances had been blocked. Since then balances have increased year after year until in their report for the 1963/64 financial year the Commissioners announced with pride:

"The increase of £33,000,000 for the year under review was a record and was 25 per cent greater than the increase for any previous year."

Nothing illustrates better the extraordinarily



The years from 1956 to 1966 witnessed the greatest expansion in the Bank's history. In that period, the number of branches increased from 267 to 491. Shown as examples of the buildings designed under the supervision of the Bank's Chief Architect, Mr R. Cousland, are Savings Centre erected in 1961 in Melbourne's busy Swanston Street, and the branch at Manifold, a suburb of Geelong, built in 1964.

successful way in which the S.S.B. has met increased competition than to compare its strength in 1956 with its position a decade later. These are the relative figures:

Year	Branches	Agencies	Accounts (Excluding School Banks)	Balances
1956	267	513	2,149,204	\$528,634,450
1966	491	700	2,396,624	\$893,601,954

In ten years, the Bank has increased the number of its branches by 84 per cent and the total of its balances by 70 per cent.

With the introduction of new methods and procedures the training of staff assumed vital



Since 1938, when the Commissioners established a Bursary Trust, the Bank has given a total of \$130,000 to assist over 1,100 student depositors to study for higher academic or technical qualifications. Three trustees administer the bursary funds and all other things being equal, they use the criterion of parents' circumstances to select the bursars. The present Chairman of the Trustees is Mr W. L. Moss, a Commissioner of the Bank, and the other two trustees are Emeritus Professor G. S. Browne, widely known for his services to education, and Mr F. H. Brooks, Director of Education in Victoria. In the accompanying picture, Mr Moss is shown awarding a cheque to a bursar, watched by Professor Browne.

importance and a staff training section was set up and proved immediately successful and has grown in importance in each succeeding year. In 1962 the Bank provided bursaries for student members of the staff to pursue approved university courses as full-time students.

Much of the streamlining of procedures and elimination of red tape in the Bank's dealings with its depositors were the result of suggestions by experienced members of the staff who were encouraged to submit their ideas to the General Manager.

As was pointed out in a previous chapter, the Bank has been fortunate in the quality of the ten men who have been charged with the responsible position of General Manager since 1842. The tenth of these is Mr T. E. Hall, who succeeded Mr Carlson on March 11th, 1962.

The widening of the branch network in the first three or four years after the establishment of the private savings banks was mainly a counter measure to replace lost agencies, but in recent years the expansion has been in keeping with the Bank's traditional role of providing service for the people of Victoria wherever it is needed.

These new branches have illustrated in their own way the changing face of banking. The days have gone when a bank was a gloomy fortress calculated to inspire awe in existing or potential customers. The building department of the Bank, which was originally established in 1920 to design houses for people of small means, is now principally concerned with the design of new branches or the modernization of old ones so that they contribute to an atmosphere of welcome and friendliness between staff and customers.

The vote of confidence which the Victorian people have cast in favour of their own Bank has made it possible to make housing loans on a much bigger scale than ever before. Between the years 1956 and 1966 inclusive, the Bank has lent the quite extraordinary sum of \$396 million (£198 million) in credit foncier and savings bank mortgage loans, and at June 30th, 1966, no fewer than 56,795 Victorians were buying homes with the direct help of S.S.B. finance; this figure does not include those who were receiving S.S.B.

# 1956-1966



finance indirectly through co-operative housing societies and the Home Finance Trust. No other savings bank operating in Victoria devotes as high a proportion of its funds to housing loans. There are more profitable ways for a bank to invest its money, but the State Savings Bank was founded, and has been developed, to play a useful role in community life.

In keeping with this communal role, the Commissioners, in 1963, sought and obtained an amendment to existing legislation, which has empowered them to make personal loans to depositors without security.

Having met the attacks on its pre-eminent position in the savings bank field in Victoria, the S.S.B. has not become complacent. It is still

endeavouring to set the pace in providing service and new facilities to the public.

In November, 1964, the Bank introduced a type of savings entirely new to Australia. This was the Christmas Club. The Bank could not claim credit for originating the idea — the American banks had been conducting Christmas Clubs for half a century. But unlike most of the banks in the U.S.A. which are confined to a small area — often only one town — the S.S.B. has a State-wide operation, and it required considerable research to develop an accounting system which would make the Christmas Club practical on such a broad scope. It was due to the ingenuity of the Bank's data processing staff that a system was devised, which, in 1966, only its



*The State Savings Bank of Victoria, true to the role it established when it pioneered credit foncier loans in Australia, has remained easily Victoria's most prolific source of money for housing. This picture of applicants waiting in the Mortgage Loans Department for an interview is typical of the scene that is re-enacted every working day. From the waiting room, the applicants are called to one of the interviewers' offices to discuss their loan requirements. The accompanying chart shows the huge volume of Credit Foncier and Savings Bank mortgage loans advanced in the last eleven years alone.*

### Credit Foncier and Savings Bank Mortgage Loans 1956-1966

Year	Amount (Expressed in Dollars)
1956	\$30,903,820
1957	\$14,978,954
1958	\$19,187,408
1959	\$29,358,658
1960	\$38,101,244
1961	\$33,936,818
1962	\$25,224,870
1963	\$37,376,116
1964	\$49,865,526
1965	\$57,788,196
1966	\$58,920,880
	<b>\$395,642,490</b>

second year of operation, has attracted 86,000 members.

Inevitably other savings banks will establish their own Christmas Clubs, just as they have adopted other aspects of savings banking which the S.S.B. has pioneered in Australia — credit foncier loans, school banking, industrial savings, computerized accounting, extended hours — but if the lessons of history can be accepted, nothing will dislodge the State Savings Bank from the affections of the Victorian people.

In 1934, Mr Alex Cooch wrote a history of the first 92 years of the State Savings Bank of Victoria to which the authors of this work are greatly obligated. In the last paragraph of his book, Mr Cooch said:

# 1956-1966

"It is conceivable that there may be changes in the world's monetary systems and in banking methods. . . . So far as human understanding can foretell, Savings Banks must remain an integral part of organized society. If that be so, the first history of The State Savings Bank of Victoria will not be the only account of this Bank to be written; greater achievements may yet be recorded. For the present, we can look back with satisfaction over ninety-two years of earnest and successful effort to serve the people."

Mr Cooch was an unusually accurate prophet. A dramatic change to decimal currency — which he advocated in 1926 — has occurred to the Australian monetary system. Great achievements have been accomplished by the Bank since 1934, and they have been recorded.

The Bank has continued its "earnest and successful efforts to serve the people". For that the credit is due to the Commissioners and staff, past and present, of the Bank. To them, this book is affectionately dedicated.

## THE POSITION OF THE STATE SAVINGS BANK OF VICTORIA AFTER 125 YEARS.

Depositors' Balances	\$893,601,954
Accounts	2,396,624
Total Assets	\$972,861,056
Total Reserves	\$35,105,928
Branches	491
Agencies	700
Staff	4,001

## DISTRIBUTION OF ASSETS

Liquid Assets	11.52%	\$112,061,724
Commonwealth Government		
Inscribed Stock	23.07%	\$224,395,917
Loans to Public		
Authorities	30.63%	\$297,983,420
Loans for Housing	29.62%	\$228,200,387
Other Loans	2.54%	\$24,706,266
Bank Premises and		
Other Assets	2.62%	\$25,513,342

## General Managers 1842-1966



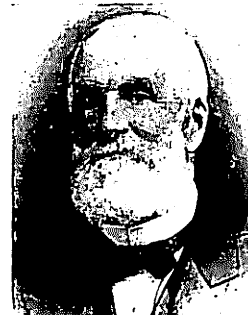
James Smith  
1842-1854



Charles Flaxman  
1854-1869



James Moore  
1869-1893



William Robinson  
1893-1897



George E. Emery  
1897-1929



Alexander Cooch  
1929-1937



John Thornton Jones  
1937-1940



Norman R. Williams  
1940-1957



Oscar R. Carlson  
1957-1962

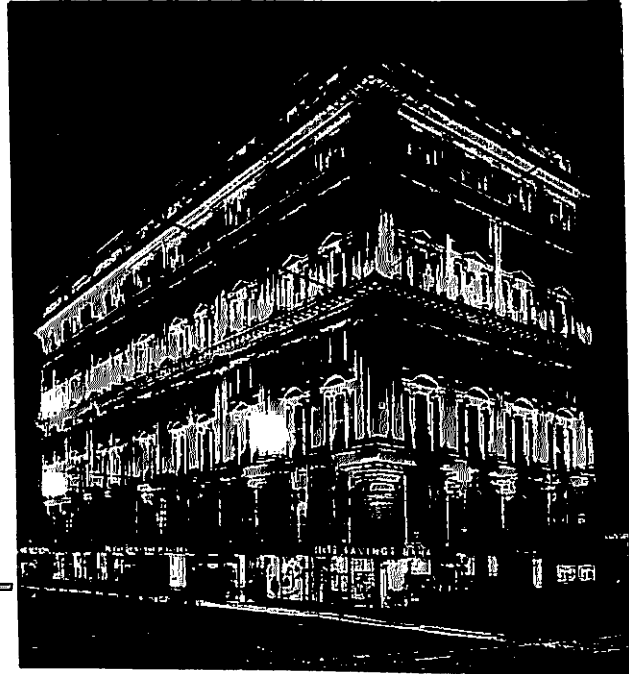


Thomas E. Hall  
1962-

The Board in Session, 1966



Seated, from left: Mr D. Ross, Assistant General Manager, Mr T. E. Hall, General Manager, Professor D. Cochrane, Chairman, Mr J. M. Anderson, Deputy Chairman, Mr R. G. Hoban, Mr O. R. Carlson, Sir Arthur Smithers, Mr W. L. Moss, and Mr E. W. Coates. Standing: Mr A. P. Atkinson, Secretary to the Commissioners.



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## ACKNOWLEDGMENTS

*We wish to express our gratitude to those people who have helped us to compile this record of the Bank's first 125 years.*

*In particular we are obliged to Mr T. A. Kealy, Acting Chief Librarian of The State Library of Victoria, and Miss Patricia Reynolds, Deputy La Trobe Librarian, and their staff, whose standards of courtesy and willingness to provide all possible help are exemplary.*

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**Trevor Craddock.  
Maurice Cavanaugh.**

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