

THE JUBILEE OF THE COMMONWEALTH BANK

[By C. M. TAYLOR]

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Just eleven days ago, on 15 July, there occurred the fiftieth anniversary of the establishment of that well known national Institution, the Commonwealth Bank.

Its beginning could be said to date back even fifty years before 1912, because forward-thinking citizens, idealists and planners had advanced proposals for the establishment of a government owned and operated national bank for many years before that time. However desirable this scheme was or might have been, it was, for very obvious reasons, quite impracticable before Federation.

The idea of a Commonwealth Bank was plainly in the minds of the framers of our Constitution, for a section of it provides that "The Commonwealth shall have powers to make laws concerning banking, other than State banking, the incorporation of banks and the issue of paper money."

KING O'MALLEY

Shortly after Federation, there came into prominence one of the most colourful and vigorous characters in Australian politics, Mr. King O'Malley, who campaigned for many years, at first almost alone, for the establishment of the Bank and eventually won through.

The late Hon. King O'Malley came to Australia, actually to Brisbane, from U.S.A. in the early eighties, an ailing young man in search of health. In his memoirs, he claims to have suffered from galloping consumption, but in those days, the term consumption was used to describe every chest complaint from advanced tuberculosis to a common cold. Most likely, his complaint was bronchitis aggravated by the harsh North American winter. However, fortunately for himself, and for Australia, he recovered his health and moved to South Australia, walking all the way, he proudly boasted.

Within a few years, he was a member of the South Australian Legislative Assembly. He was a picturesque figure in Parliament, tall, with a shaggy mop of hair and tawny flowing



KING O'MALLEY

beard. Adelaide's citizens used to fill the public gallery listening to him, with powerful but unpolished oratory endeavouring to correct every injustice to man since the fall of Adam.

In his youth, Mr. O'Malley had many jobs—he had been a banker, land agent, auctioneer, town planner, religious evangelist and he made good use of the knowledge so gained in his public life in Australia. He came into the House of Representatives at Federation as an Independent and immediately began a noisy advocacy for the establishment of the Bank. He found few supporters in the Labour Party and none at all among the Liberals. However, he soon saw that his proposals were more likely to be accepted by the Labour Party and he joined that Party within a few months.

Actually, there exists serious doubt regarding Mr. O'Malley's eligibility to sit in the Federal Parliament, for the Constitution provides that members must be British born or naturalised British subjects of five years' standing. Mr. O'Malley produced no proof of this and it is probable that he was a United States citizen, though he always claimed to be a Canadian. Many attempts were made by his political opponents to unseat him, but he was far too astute for them. At one public meeting he was asked by an interjector, "Mr.

O'Malley, where were you born?" He replied, "I was born in Canada, just over the American border. You see, I missed being President of the U.S.A. by only 200 yards."

THE LABOUR PARTY AND THE BANK

In 1904 a Labour Government led by Mr. Watson took office for a few months, but despite long pleading speeches in Caucus, Mr. O'Malley was unable to persuade the Party to include the bank in its policy.

The 1905 Labour Party Conference in Melbourne, largely as a result of Mr. O'Malley's strong advocacy, placed the bank in the general policy of the Party. However, the next Conference of the Party in July 1908 marked a very important stage in the progress towards the establishment of the bank. This Conference placed the bank on the fighting platform for the next general election due in 1910. For the first time also, the Australian Navy won a place in election policy at this Conference. It beat the bank to start in 1911 and celebrated its Jubilee last year.

The Labour Party won this election handsomely with a majority in both Houses. Mr. Andrew Fisher, a Queensland member, formed a Government and King O'Malley entered the Cabinet, not as Treasurer as he had hoped, but as Minister for Home Affairs, Mr. Fisher himself assuming the Treasury portfolio.

However, despite the winning election policy and the mandate from the people, the new Cabinet was very apathetic towards the establishment of the bank. The reason may be found in a speech in the House of Representatives, seventeen years later by Sir Earle Page, then Federal Treasurer. He quoted from a pamphlet written and distributed by Mr. O'Malley at that time (1910).

"Immediately after the formation of the Labour Government in 1910, a Bankers' Conference was held in Melbourne, which was attended by the Prime Minister, Mr. Fisher, and Attorney-General, Mr. Hughes. Neither of them possessed any technical financial banking knowledge and were easily convinced that there was no profit in banking, so the Treasurer informed us that the Note Issue would be withdrawn from trading banks and placed in the Commonwealth Treasury. As the Note Issue is the fundamental capital of a National Bank, this meant the death of the Bank."

THE "TORPEDO BRIGADE"

Mr. O'Malley, though disappointed and dismayed, was not beaten. He gathered around him his few supporters in the

Party and formed what he called the "Torpedo Brigade," whose avowed purpose was to force the Government to establish a Commonwealth Bank. As the Prime Minister and Mr. Hughes had threatened to force Mr. O'Malley out of the Cabinet if he persisted in his advocacy of the Bank, the Founder of the Bank was compelled to work in secret. The leaders of the Government knew of the existence of the Torpedo Brigade, but believed it to be a group of rebels who were trying to depose the Prime Minister and Senior Ministers and make Mr. O'Malley the Prime Minister. They could afford to laugh at this, for they, reasonably enough, believed themselves secure and even if the Torpedo Brigade managed to carry a motion of no-confidence in Caucus, the Party chiefs in Melbourne could safely be relied on to bring them into line by threats of non-endorsement for the next election and the like.

After fifteen months of secret organisation, Mr. O'Malley considered that he had sufficient supporters to carry his proposals in Caucus. This he did on 5 October 1911 and the Cabinet reluctantly agreed to introduce a Bill for the Bank in the next session of Parliament. One significant feature of the campaign for the Bank merits attention. If Mr. O'Malley had continued his public campaigning for a National Bank the private banks would naturally have combined to raise public opinion against the proposals. That they could have done this is beyond doubt—one has only to consider the anti-nationalisation propaganda in 1947-1949 to realise this. As it was, however, after the conference in 1910, the banks thought the matter settled and the prolonged silence of Mr. O'Malley seemed to confirm this view. Consequently, it was not only the Government, but also the private banks, who were caught unprepared. It is reasonable to assume that Mr. O'Malley would not have succeeded if he had not been silenced.

THE BANK BILL

The first Bank Bill passed through both Federal Houses and received Royal Assent in November 1911. The Act empowered the new bank to carry on all types of banking business. An important provision was the authority to conduct Savings Banking. No other bank had both types of business—General and Savings Banking. Notable omissions from the measure were Central Banking and Note Issue. These came later.

The head of the bank was to be styled Governor, with complete authority in administration, appointment of staff, opening branches and subject only to the Federal Treasurer as regards policy.

It may be noted that the handing of dictator-like powers to one man was a distinct departure from the practice and policy of the Labour Party, which traditionally favours boards, commissions and the like for such ventures.

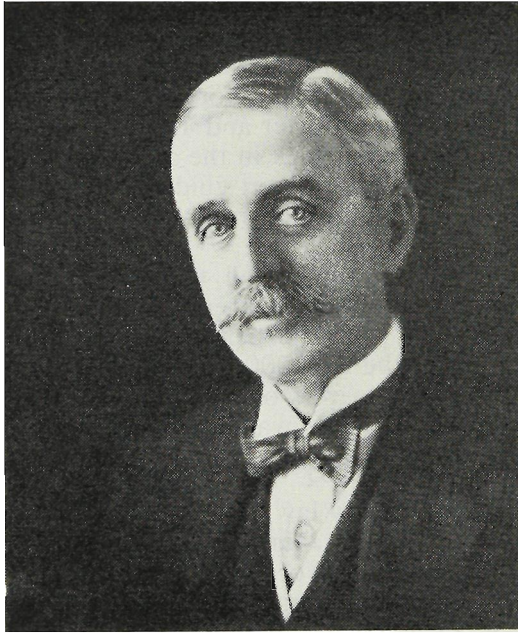
No doubt the Prime Minister and Treasurer felt that, with public doubt and hostility thick in the air, the bank was more likely to succeed under the expert guidance of one man, than under a board voicing a dozen or more widely varying theories and ideas.

The Governor was empowered to borrow, immediately, £10,000 from the Federal Treasurer for working capital and raise £1,000,000 in public debentures of £10 each. The Governor borrowed the £10,000 available, which was soon repaid, but the early progress of the Bank was such that the million pounds in debentures was never required nor raised.

THE FIRST GOVERNOR

With the Bank Bill now law, the next step was to appoint the Governor. Dr. L. C. Jauncey in his book "*Australia's Government Bank*" says, "For six months the leaders of the Government combed the country for a suitable man." The delay seems strange. While suitable men would be by no means plentiful, there would be among the general managers, deputy general managers and capital office managers of the existing banks a score of men with vast banking knowledge and proven ability to organise and administer this new project. What is likely is that senior bank men were approached and declined the appointment. This would be quite understandable. Banking in Australia is and always has been a career job. The senior bank officers in Australia, with few exceptions, all started their careers licking stamps or running exchanges—the traditional juniors' jobs. They would, naturally enough, be unwilling to abandon posts of responsibility and prestige, with possibility in some cases of further promotion, attained after thirty years or more of hard work, to join a bank which did not then even exist, and, provided it did get going, might fold up after a few months or even be abolished with a change of Government.

However, Mr. Hugh Denison Miller, later Sir Denison, as I shall refer to him, was offered the appointment and was prepared to take the risk. Sir Denison Miller was at that time the Chief Metropolitan Inspector of the Bank of New South Wales, 52 years of age, and had a solid record of banking achievements behind him. He commenced duty on 1 June 1912 at a salary of £4,000 per annum, equal to that of his chief, Sir John French, General Manager of the Bank of New South Wales, who was the highest paid bank officer in



SIR HUGH DENISON MILLER

Australia, controlling 334 branches and agencies and a staff of 1,672.

Let us examine this salary of £4,000 p.a. Assuming a grown-up family and dependant wife, Sir Denison's State Income Tax (there was no Federal Income Tax in 1912) would have been £117, leaving him £3,883 to spend. Translating that into to-day's equivalent of money value it would be £19,000-£20,000. To receive a net income of this much to-day would require a taxable income of £45,000-£50,000 per annum.

Sir Denison commenced work immediately and began choosing his staff. It could be said that the original staff were, in a sense, pioneers. All of them were men and women who had by ability and application established themselves in, if not exactly well paid, jobs of security with excellent prospects of promotion and advancement. They were prepared to risk their future in this nebulous concern, which might turn out to be nothing much at all.

THE EARLY YEARS

The Bank commenced operations by opening its Savings Bank Department in Melbourne and 489 agencies throughout Victoria on 15 July 1912. The reason why the Savings Bank

started first was that the Governor required the Savings Bank funds in hand before he could commence General Bank business and in Victoria, because the State Savings Bank had, only a few weeks previously, vacated the post offices as agencies and left hundreds of trained and experienced Savings Bank officers to take over.

The Savings Bank opened for business in Queensland on 16 September of that year, the first office being in an upstairs room in the City Building, Edward Street. The teller was a post office official located in the General Post Office. All withdrawals over £10 had to be authenticated at the City Building per messenger walking to and from.

The General Banking Department was opened simultaneously in all Australian capitals, Townsville and London on 20 January 1913.

The two years from the formation of the Bank to the outbreak of war in 1914 were quiet but progressive, the published accounts showing a small profit, except for the first year.

The 1914-18 war saw the Bank make great progress and brought it prominently and permanently before the notice of the Australian people. The Commonwealth Government entrusted to the Bank the task of raising the loans required for war finance and here Sir Denison Miller's organising ability shone like a bright star. The Bank, on behalf of the Federal Treasury, floated a total of £258 million in loans in the years 1915 to 1921, at a cost of 4/6 per £100, an astonishingly low figure, because previous loans in Australia had cost £2 per £100 and those raised in Britain and U.S.A. even more. The Bank also financed the various commodity pools (wheat, wool, meat, etc.), arranged for the payment of the troops overseas, payment for goods purchased abroad by the Government, and chiefly by means of the Savings Bank catered for the banking needs of servicemen abroad, and all this with a depleted staff, for many experienced officers were serving in the armed forces. Thus the Bank established itself as a national institution and has never looked back.

In 1919 Sir Denison Miller's appointment as Governor was extended for a further term of seven years, this time by a nationalist Government under Mr. W. M. Hughes, who had bitterly opposed the establishment of the Bank and had prophesied complete failure of the venture.

The death of Sir Denison Miller in 1923 marked the end of an era in the Bank. Over the years there had been received from many influential quarters proposals and suggestions for ending the autonomy of the Governor and establishing a

board of management. However, the terms of Sir Denison's two appointments did not provide for this and it was not possible to make any alteration until he died or retired.

THE NEW ORDER

A new Commonwealth Bank Act in 1924 established a Bank Board, consisting of the Governor, Secretary of the Federal Treasury, and six others, leaders in agriculture, commerce, finance and industry. This new body shored the Governor of much of his responsibility and authority, but as his salary was not reduced I don't suppose he worried greatly over that.

This was the set-up until 1945 when the Bank Board was abolished and an advisory council with the Governor as chairman was established. This 1945 Act also constituted the Bank as a Central Bank, that is a Bankers' Bank with power to control lending policy and other economic authority.

The Board was re-constituted in 1951 with similar powers to the 1924-45 one and this was the controlling body until January 1960, when the Bank was completely reorganised and there emerged from the old Commonwealth Bank two separate bodies, the Commonwealth Banking Corporation and the Reserve Bank.

The Commonwealth Banking Corporation consists of three main components:

- The Commonwealth Trading Bank
- The Commonwealth Savings Bank
- The Commonwealth Development Bank

By their names the functions of the Trading Bank and the Savings Bank are easily understood.

The Development Bank lends money for the development of all types of industry subject to a policy of national interest laid down by the Bank's head office.

The Reserve Bank is something new to Australia, and is designed to operate for general overall economic stability of the nation. It is:

The Banker's Bank and has power to require banks to lodge with it specified portions of their surplus funds, releasing same at its discretion.

An instrument to control lending policy.

The Government's Bank.

The controlling body for

- (a) Note Issue
- (b) Raising and repayment of Government loans and payment of interest.

It has many other functions, but these are the main ones.

THE BANK AT WORK

From the start, it has been the policy to take the Bank to the people.

There is a Savings Bank Agency in almost every Post Office, the only exceptions being General Post Offices in capital cities and in larger centres where there is a branch of the Bank in the near vicinity. Private agencies have been opened at every point where it has been possible to enlist the services of suitable and willing people to act as agents.

School banking was introduced gradually in every State from 1927, with the teachers acting as agents. School banking and distant and remote agencies are conducted at a loss but the Bank's policy has always been a broad national one—that no one should be denied banking facilities if it is possible to provide them.

Construction and Service camps, shearing sheds, R.A.A.F. Stations, R.A.N. ships and depots, migrant ships, fettlers' gangs, have all found the Commonwealth Savings Bank agents around attending to their banking needs.

Trading Bank business, small in the early days, has grown enormously in recent years and the Commonwealth is now the second largest of the trading banks.

THE AMALGAMATIONS

The rapid natural growth of the Bank was accelerated over the years by absorptions and amalgamations:

- 1913 with the Tasmanian Government Savings Bank.
- 1920 with the Queensland Government Savings Bank; 224 officers were taken over in this amalgamation, many of them in the photograph on display in the vestibule. One of them was the late James McConachie, father of one of our members, Mrs. Austin Morrow.
- 1931 Western Australia and New South Wales Government Savings Banks. The last amalgamation was a gigantic operation, the N.S.W. Government Savings Bank being a much larger institution than the Commonwealth Savings Bank — a staff of 3,000 compared with a total of 2,000 in the Commonwealth Bank. When completed this amalgamation made the Commonwealth Savings Bank the second largest Savings Bank in the world, the British Post Office Savings Bank being the only larger one.

THE GOVERNORS

The Bank has had at its head several distinguished bankers. The first Governor has already been mentioned. Sir Denison

Miller had all the necessary attributes to make the Bank work: vision, skill, application, organising ability. He was a strict disciplinarian who never raised his voice. His mild appearance and manner strangely belied his firmness and tenacity. Knighted in 1920, he died in office, suddenly, in 1923.

His successor, Mr. James Kell, had been Deputy Governor. He was appointed the following year and retired in 1926.

Sir Ernest Riddle was Governor from 1927 to 1938. Also knighted for services to the nation he had the arduous duties of guiding the Bank through the depression of the early thirties. He retired owing to ill health and died a year later.

Both Mr. Kell and Sir Ernest Riddle had been Deputy Governors before appointment, but the next Governor came from outside the Bank. He was Sir Harry Sheehan, who had been Secretary to the Commonwealth Treasury for many years and by virtue of that office a member of the Bank Board. Though no doubt deficient in technical banking knowledge, he was otherwise well qualified to hold the reins of this important office. Like Sir Denison Miller he died suddenly in office in 1941.

Mr. H. T. Armitage, with Mr. Kell and Sir Ernest Riddle, was one of the early officers of the Bank. He had been Deputy Governor to both Sir Ernest Riddle and Sir Harry Sheehan, and was appointed Governor in 1941. His tenure of office, 1941-48 covered the difficult war and post-war years.

His successor, Dr. H. C. Coombs, an economist of world repute, was Governor for the next eleven years and is now the Governor of the Reserve Bank. The present head, now styled Managing Director, of the Commonwealth Banking Corporation is Mr. E. B. Richardson, formerly Deputy Governor to Dr. Coombs.

Brisbane Office managers whose names may be familiar to members are, in date order, Messrs. J. K. Henderson, J. S. Scott, O. A. Smith (afterwards Sir Osborne Smith and Governor of the Imperial Bank of India), A. S. Douglas, T. C. Irving, N. E. B. Knight, G. H. N. Pitcher, H. L. Bailey (now manager of the Reserve Bank), and Mr. G. G. Eastaugh, the present manager.

QUEENSLANDERS IN THE SERVICE

Queenslanders have occupied many high executive positions in the Bank, well in proportion to their numbers.

Mr. Don Brown, present Staff Inspector, joined the Bank in Bundaberg and returned there as manager in 1949. His

wife is a grand-daughter of Andrew Scott, of the famous Hornet Bank Cattle Station.

Mr. Frederick Butcher, London manager, is a Charters Towers man who joined the Bank there in 1925.

Mr. Roy Pratten, the Inspector of Procedures and Research Department, commenced his career in Brisbane in 1921.

Mr. Lance McWatters, General Manager of the Commonwealth Trading Bank, is a member of a well known Maryborough family. His father was for years the secretary of the Maryborough Chamber of Commerce, School of Arts, and London School of Music. His mother was well known in musical circles and, jointly with her husband, compiled a History of Maryborough.

Mr. Bob Ryan, the Bank's actuary, is a Cairns man. He is married to Mr. Condon Byrne's sister. Many of our members will remember his father, Postmaster at Fortitude Valley for many years.

Mr. Gwynne Thompson, Loans Officer of the Commonwealth Savings Bank, joined the Bank in Townsville. He is a nephew of the late Canon Walter Thompson, for many years Rector of St. Michael's and All Angels' Church at New Farm.

Mr. Alaric Jackson, who recently retired as Chief Inspector of the Commonwealth Trading Bank, is a Maryborough native and was the first junior admitted on probation to the Bank in Brisbane in 1913. His father was well known in educational circles and was head teacher of Kangaroo Point Boys' School from 1923-1932.

There are many others, of course, but the names mentioned are probably the best known Queenslanders in the service.

Our Society has a strong family link with the Bank. Mr. Franklin James Morgan, a grandson of our first President, Sir Arthur Morgan, is the Chief Clerk of the Commonwealth Savings Bank, Brisbane. His father, also Franklin James, a son of our founder, is a well known citizen. A former State Manager of the National Bank of Australasia Ltd., he is better known nowadays as a Vice-President of the Royal National Association.

I have already mentioned the work of the Bank in the 1914-18 war: 227 officers served in the forces, 23 dying on service.

The Second World War was another trying period—extra work with a depleted staff; 2,900 officers enlisted, of whom 307 lost their lives. Three civilian officers, members of Rabaul staff, died in Japanese internment camps. Civilian

staff were under fire, too. Rabaul and Lae branch buildings were completely destroyed and Darwin and London branches damaged by enemy bombs.

THE BANK TO-DAY

From its modest beginning, the Bank has grown to a gigantic institution. The Corporation has 800 branches and 7,200 agencies with a staff of approximately 13,000. The Reserve Bank staff numbers between 1,500-1,600.

To-day the Commonwealth Banking Corporation with its partner, the Reserve Bank, though much larger and vastly different from the enterprise planned by Mr. King O'Malley, has become a national Institution of which we can all be proud. Competing with the other banks on equal terms, at no time taking advantage of Government aid or concessions, it has provided banking services for hundreds of thousands, even millions, of Australian citizens, school children, wage earners, home builders, primary producers, industrialists, executives, pensioners, manufacturers, and in doing so, has earned the gratitude of a nation.