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FOREIGN OWNERSHIP AND CONTROL OF FINANCE COMPANIES, 1973
(ADVANCE RELEASE)

Introduction

This bulletin summarises the major results of a recently completed study of Foreign Ownership and Control of Finance Companies in 1973. Detailed results of this study will be released shortly.

2. The conceptual basis of this study was similar to that used in the previously published study, *Foreign Ownership* and *Control of the Mining Industry* – 1972-73 Ref. No. 10.42.

3. Broadly, a finance company was regarded as foreign controlled if the major foreign investor held at least 25% of the equity and an Australian investor did not have a larger holding. In order to retain as high a degree of comparability as possible with previously published studies of foreign ownership and control, this category included cases where the holdings of the major foreign investor and the major Australian investor were equal i.e. cases where it could be considered that there was "joint foreign and Australian control". While many of the aggregates for such cases are confidential, wherever possible separate details have been compiled.

Main features

4. The major results of the study (based on ownership and control characteristics at 30 June 1973 and balances outstanding on finance agreements at 31 December 1973) are:

- *Foreign ownership* of finance companies in Australia was 48.0%, comprising 22.4% from the United Kingdom, 17.1% from the United States and 8.5% from other foreign countries.
- The 48.0% foreign ownership comprised 26.6% *direct* foreign ownership, and 21.3% *other* identified foreign ownership (based on portfolio investment).
- *Foreign control* was 41.5% (including 10.2% joint foreign and Australian control) and Australian control was 58.5%.
- Foreign control was highest for the United Kingdom at 19.5%, followed by the United States with 17.5%. (All of the 10.2% joint foreign and Australian control involved participation by United States investors.)
- The extent of foreign control varied widely for different components of balances outstanding on finance agreements – from 34.8% for housing finance to 71.9% for bills of exchange.
- Based on a qualifying level of 20% of equity in the definition above, foreign control was 53.1%, instead of 41.5% at a 25% level of equity – see paragraph 5 below.

5. The qualifying level of 25% of equity used in this study in the definition of foreign control is conservative by international standards. There was a significant number of finance companies in which the percentage of equity held by the major foreign investor was at least 20% but less than 25%. Obviously, reduction of the qualifying percentage to lower levels makes it increasingly doubtful (in the absence of other information e.g. on possible coalitions of investors) whether the major investor can exercise effective control of a particular company.

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