

# A SURVEY OF NEW ZEALAND SHAREHOLDINGS IN COMPANIES LISTED ON THE AUSTRALIAN STOCK EXCHANGE

## Introduction

This article examines the response to a survey undertaken to determine the value of equity shares held by New Zealand residents in major Australian companies listed on the various Exchanges comprising the Australian Stock Exchange.

## Exchange Control Regulations

The removal of exchange controls in December 1984 enabled New Zealand resident investors to purchase foreign exchange for the purpose of buying shares issued by overseas companies. Before that time, overseas currency was not available for private investors to acquire portfolio type investments.

Prior to June 1966, shares held by New Zealand residents in overseas domiciled companies could be purchased by other New Zealand residents using New Zealand currency — usually at a significant premium over the price the shares could be traded at in Australia. Those shares could either be held by the purchaser as a portfolio investment, or resold overseas for foreign currency. This method of acquiring foreign currency outside the banking system was closed in June 1966 and, since that time, New Zealand residents could acquire shares in overseas domiciled companies only by one or more of the following methods:

### Through the Depository System

A New Zealand domiciled investor could:

- (i) Buy for New Zealand currency any eligible overseas shares (i.e. shares which were either held by the seller before June 1966, or were held in an 'approved depository' — in most cases, the Reserve Bank. Shares purchased this way were required to be deposited (or re-deposited) with an 'approved depository'.
- (ii) Switch shares (and other securities) held by an 'approved depository' into other shares, subject to settled rules. The new scrip evidencing the

shares and the identity of the new owner had to be lodged with an 'approved depository'.

### By Using Overseas Assets Already Owned by the Intending Purchaser

For example:

- (i) by switching 'uncontrolled' overseas securities; or by applying lawfully held overseas income, such as that arising from payments of interest or dividends;
- (ii) by using cash lawfully held overseas;
- (iii) by selling bonus shares, or the rights to shares to be issued for cash; whether or not the 'head' shares were lodged with an 'approved depository'.

## Paucity of Information

Little information has been available on the level or value of New Zealand shareholdings in overseas companies, although there was a limited amount of data on the extent of overseas participation in New Zealand companies and on the size of corporate indebtedness to overseas lenders.

The Reserve Bank decided at the time of removing the exchange controls to remedy this lack of data. Initially, consideration was given to calculating the value of the scrip held by the Reserve Bank as an 'approved depository', but this information would provide a poor substitute for information arising from a broad based survey of the major companies. An assessment of the value of the scrip held in the Bank's vaults would significantly understate the value of overseas securities, because no recognition would be given to shares bought with so called 'free funds' or to shares in New Zealand hands which were not required to be lodged with the Reserve Bank. For these reasons, it was decided to survey the major Australian listed public companies, known to have significant numbers of New Zealand shareholders.

## The Survey

Requests were sent to thirty-one major Australian public listed companies. These companies were asked to provide 'the number of shares held by shareholders with registered addresses in New Zealand'.

The companies approached were:

Adelaide Steamship Co. Limited  
 Amatil Limited  
 Ampol Limited  
 Ariadne Australia Limited  
 ANZ Banking Group Limited  
 Australian Guarantee Corporation Limited  
 Australian National Industries Limited  
 APM Limited  
 Boral Limited  
 Brambles Industries Limited  
 Broken Hill Proprietary Co. Limited  
 Castlemaine Tooheys Limited  
 G.J. Coles & Co. Limited  
 Comalco Limited  
 CRA Limited  
 CSR Limited  
 Dunlop Olympic Limited  
 Elders IXL Limited  
 Industrial Equity Limited  
 James Hardie Industries Limited  
 Lend Lease Corporation Limited  
 MIM Holdings Limited  
 National Australia Bank Limited  
 News Corporation Limited  
 Pioneer Concrete Services Limited  
 Rothmans Holdings Limited  
 Petersville Sleigh Limited  
 Thomas Nationwide Transport Limited  
 Western Mining Corporation Holdings Limited  
 Westpac Banking Corporation  
 Woolworths Limited

## Results of the Survey

Replies were received from thirty of the thirty-one companies contacted. The information given to the Reserve Bank, while in all cases showing the position at some day in 1985, did not relate to a common date. However, it was considered that this would not greatly impair the accuracy of the survey, because any changes in holdings by New Zealand residents over that short period were likely to be insignificant.

There were 224,826,000 ordinary shares held by shareholders with addresses in New Zealand. Using prices quoted in the Australian Financial Review, the total value of those shares as at 29 March 1985 was A\$636.4 million or NZ\$970.4 million at the exchange rate prevailing on that day. The latter figure can be compared with the market capitalisation of all the companies listed on the New Zealand Stock Exchange which currently is about \$12,500 million.

## Interpretation of the Results

It should be noted that the figure of \$970.4 million almost certainly under-estimates the value of New Zealand shareholdings in the companies surveyed. There are several reasons for this. First, some New Zealand residents may have their shares registered in the name of Australian nominee companies and the New Zealand domicile of those holdings could not be identified. Secondly, New Zealand resident shareholders might use their own names to register, but show Australian addresses. Thirdly, New Zealanders may hold shares indirectly through a shareholding in another Australian registered company.

There are about 1,000 companies listed on the various Exchanges comprising the Australian Stock Exchange and this survey examined only the largest companies known to have significant levels of New Zealand ownership. New Zealand residents would also hold shares in companies which were not surveyed. In the light of the limited company coverage and taking into consideration the deficiencies in the data obtained from the surveyed companies, there is little doubt that the total value of New Zealand shareholdings in Australian public listed companies is considerably more than NZ\$970.4 million.

## Comparability

The intention is to repeat the survey in the future in order to assess the effect of government deregulation including in particular the floating of the dollar and the abandoning of exchange controls on outward capital flows.

## Conclusion

The removal of controls on foreign exchange transactions made it possible for New Zealand investors to purchase foreign exchange to buy shares in overseas companies. The survey provides a base level of the value of New Zealand shareholdings in Australian companies which can be used in the future as a 'rough' yardstick in assessing the impact of removing exchange and other controls.

The figure of \$970.4 million represents merely the value of New Zealand identifiable shareholding in thirty major Australian public listed companies. The figure almost certainly under-estimates the total value of New Zealand owned shares in those companies and has no regard to the New Zealand ownership of companies in Australia and elsewhere which were not surveyed.