

**1974/321**



**THE STABILISATION OF PRICES REGULATIONS 1974,  
AMENDMENT NO. 1**

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DENIS BLUNDELL, Governor-General

**ORDER IN COUNCIL**

At the Government House at Wellington this 16th day of December 1974

Present:

HIS EXCELLENCY THE GOVERNOR-GENERAL IN COUNCIL

PURSUANT to the Economic Stabilisation Act 1948, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, hereby makes the following regulations.

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**REGULATIONS**

**1. Title and commencement**—(1) These regulations may be cited as the Stabilisation of Prices Regulations 1974, Amendment No. 1, and shall be read together with and deemed part of the Stabilisation of Prices Regulations 1974\* (hereinafter referred to as the principal regulations).

(2) These regulations shall come into force on the 20th day of December 1974.

**2. Interpretation**—(1) Regulation 2 (1) of the principal regulations is hereby amended by revoking the definition of the expression “Category B services”, and substituting the following definition:

“‘Category B services’ means all services that are not Category A, Category X, or financial services:”

(2) Regulation 2 (1) of the principal regulations is hereby further amended by inserting, in their appropriate alphabetical order, the following definitions:

“‘Credit instrument’ means any agreement (whether in writing or not) acknowledging an obligation to pay a sum or sums of money on demand or at any future time or times:

“‘Financial enterprise’ means any person (including a body of persons, whether incorporated or not) who in the course of business—

“(a) Borrows money or accepts deposits (whether on demand or for a fixed term) or receives credit (other than normal trade credit) or sells any credit instrument; and also

“(b) Lends money or grants credit (other than normal trade credit) or buys or discounts any credit instrument;—  
and, without limiting the generality of the foregoing provisions of this definition, includes—

“(c) Any person (including a body of persons, whether incorporated or not) who acts as agent or intermediary in the course of business in any of the transactions aforesaid; and

“(d) Any bank named in the First Schedule to the Reserve Bank of New Zealand Act 1964; and

“(e) Any trustee savings bank established under the Trustee Savings Banks Act 1948; and

“(f) Any private savings bank as defined in section 2 of the Private Savings Banks Act 1964; and

“(g) Any life insurance company, being a company as defined in section 2 of the Life Insurance Act 1908; and includes any branch, division, or office of any such company; and

“(h) Any building society as defined in section 2 of the Building Societies Act 1965; and

“(i) Any specified person or class of person (including a body or bodies of persons, whether incorporated or not) engaged in the business of borrowing or lending money or buying, selling, or otherwise dealing in credit instruments who is or are declared by the Minister with the concurrence of the Minister of Finance, by notice in the *Gazette*, to be a financial enterprise or financial enterprises for the purpose of these regulations;—

but does not include—

“(j) Any person (including a body of persons, whether incorporated or not) who (not being a person referred to in paragraphs (c) to (i) of this definition) performs services of any of the kinds specified in paragraph (a) or paragraph (b) of this definition that are incidental to his principal profession, trade, or business; or

“(k) Any person or class of persons or description of persons (including a body or bodies of persons, whether incorporated or not) specified by the Minister with the concurrence of the Minister of Finance, by notice in the *Gazette*, as not being a financial enterprise or financial enterprises for the purpose of these regulations:

“‘Financial services’ means—

“(a) The lending of money or granting of credit (other than normal trade credit):

“(b) The provision of life insurance, life assurance, or life reinsurance:

“(c) Services provided in respect of the acceptance of deposits or banking:

“(d) The selling or discounting of any credit instrument, whether as principal or agent:

“‘Reserve Bank’ means the Reserve Bank of New Zealand constituted under the Reserve Bank of New Zealand Act 1964:

“‘Trade credit’ means credit given or, as the case may require, received in the normal course of business in relation to the sale or purchase of goods or for the performance of services:”.

(3) Regulation 2 (1) of the principal regulations is hereby further amended by adding to the definition of the term “price” the words “and also includes the amount of any discount paid or given on the sale or purchase of any credit instrument; and also includes any interest charges”.

(4) Regulation 2 of the principal regulations is hereby further amended by adding the following subclause:

“(6) For the purpose of these regulations, the publication or exhibition of a price list in respect of any goods or services, or the furnishing of a quotation for any goods or services, or the exposure of any goods with a specification or an indication of the price thereof attached thereto or displayed in the vicinity thereof or in connection therewith, shall be deemed to constitute an offer to sell these goods or services.”

**3. Exemption of financial services**—Regulation 3 of the principal regulations is hereby amended by adding the following subclause:

“(3) Except where these regulations otherwise specifically provide, nothing in Parts II to VI (except regulations 25A and 25B) or in Parts VIII and IX (except regulations 35, 40, and 41) shall apply with respect to any financial services.”

**4. Definitions of expressions in Part I of principal regulations**—Regulation 4 of the principal regulations is hereby amended by revoking subclause (1), and substituting the following subclause:

“(1) In this Part of these regulations—

“‘Average funds employed’, in relation to any financial enterprise and to any financial year, shall be determined—

“(a) By averaging the total of the funds employed on the last day of the financial year in question and the total of the funds employed on the last day of the preceding financial year; or

“(b) In such manner as may be approved in writing by the Reserve Bank:

“‘Enterprise’ means any manufacturer or supplier of Category B goods or services, (whether or not he also manufactures or supplies other goods or services) or any importer, wholesaler, or retailer of Category A or Category B goods or both Category A and Category B goods; but does not include any financial enterprise:

“‘Excess profit’, in relation to any financial year and to any enterprise or financial enterprise, means the amount by which the pre-tax profit of the enterprise or financial enterprise for that financial year exceeded the amount of pre-tax profit that would have been realised if the enterprise or financial enterprise had realised only its maximum profit ceiling:

“ ‘Funds employed’, in relation to any financial enterprise, means the total of—

“(a) The shareholders’ funds, or, as the case may be, the equity capital invested by the proprietor or partners; and

“(b) Any reserves of capital or revenue; and

“(c) All other liabilities of the financial enterprise—  
determined in each case by the application of generally accepted accounting principles consistently applied by the financial enterprise:

“ ‘Maximum profit ceiling’, in relation to any enterprise, means—

“(a) If in every one of the 4 completed financial years of the enterprise immediately preceding the commencement of these regulations a profit was realised by the enterprise, the percentage of the aggregate of the pre-tax profit of the enterprise realised in the said 4 years to the aggregate sales of the enterprise in the said 4 years; or

“(b) If in any one or more of the 4 completed financial years immediately preceding the commencement of these regulations no profit was realised by the enterprise, the percentage of the aggregate of the pre-tax profit realised by the enterprise, in the years in which a profit was realised, to the aggregate sales of the enterprise in the years in which a profit was realised; or

“(c) The maximum profit ceiling fixed or approved by the Secretary under regulation 6 or regulation 7 hereof:

“Provided that in the case of an enterprise that has been in business for less than 4 completed financial years immediately preceding the commencement of these regulations, every reference in this definition to 4 completed financial years shall be read as a reference to such of its financial years as have been completed before the commencement of these regulations and in which the enterprise realised a profit:

“Provided also that the Secretary, on the application in writing of any enterprise which has carried on business for at least 4 financial years immediately preceding the commencement of these regulations, may fix for the purposes of paragraph (a) of this definition, in relation to that enterprise, such number of financial years, whether greater or less than 4, as the Secretary thinks fit, and thereupon the said paragraph (a) shall have effect in relation to that enterprise as if every reference therein to 4 years were a reference to the number so fixed:

“ ‘Maximum profit ceiling’, in relation to any financial enterprise, means—

“(a) If in every one of the 4 completed financial years of the financial enterprise immediately preceding the commencement of these regulations a profit was realised by the financial enterprise, the percentage of the aggregate of the pre-tax profits of the financial enterprise realised in each of the said 4 years to the aggregate of the average funds employed in the financial enterprise in each of the said 4 years; or

“(b) If in any one or more of the 4 completed financial years immediately preceding the commencement of these regulations no profit was realised by the financial enterprise,

the percentage of the aggregate pre-tax profit realised by the financial enterprise, in each of the years in which a profit was realised, to the aggregate of the average funds employed in the financial enterprise in those years; or

“(c) The maximum profit ceiling fixed or approved by the Reserve Bank pursuant to regulation 7A hereof:

“Provided that in the case of a financial enterprise that has been in business for less than 4 completed financial years immediately preceding the commencement of these regulations, every reference in this definition to 4 completed financial years shall be read as a reference to such of its financial years as have been completed before the commencement of these regulations and in which a profit was realised:

“‘Pre-tax profit’, in relation to any enterprise, means net profit before tax determined in accordance with generally accepted accounting principles consistently applied by the enterprise, arising from its trading operations, after taking into account all expenses (including special depreciation and interest on borrowed money) of conducting and financing them, and—

“(a) Disregarding profits or net income received from investments not employed in the business; and

“(b) Disallowing as a charge against revenue all depreciation in excess of the rates allowed by the Commissioner of Inland Revenue; and

“(c) Disregarding, if the enterprise so elects,—

“(i) Profits received in those financial years from export sales; or

“(ii) If profits from export sales cannot practicably be identified by the enterprise, a rate of profit on export sales equivalent to half the rate of profit realised by the enterprise on all sales in each financial year:

“‘Pre-tax profit’, in relation to any financial enterprise, means net profit before tax determined in accordance with generally accepted accounting principles consistently applied by the financial enterprise in its business, after taking into account all expenses (including special depreciation where applicable and interest on deposits and other term liabilities) of conducting its business, and disallowing as a charge against revenue all depreciation in excess of rates allowed by the Commissioner of Inland Revenue.”

**5. Control of profits realised by financial enterprises—**(1) The principal regulations are hereby further amended by inserting, after regulation 7, the following regulation:

“7A. (1) If any financial enterprise exceeds, in any of its financial years ending after the commencement of these regulations, its maximum profit ceiling, it shall within 120 days after the end of that financial year, notify the Reserve Bank in writing of that fact and shall state such particulars as may be prescribed or required in relation thereto by the Reserve Bank:

“Provided that where any such financial year has ended on or after the 15th day of July 1974 and before the 21st day of October 1974, the notice required by this subclause shall be given not later than the 17th day of February 1975.

“(2) Where any financial enterprise has exceeded, in any of its financial years ending after the commencement of these regulations, its maximum profit ceiling, the Reserve Bank may, at any time after receipt of a notification under subclause (1) of this regulation or, in any case, at any time after the date by which that notification is required to be given pursuant to that subclause, by notice in writing to the financial enterprise, require the financial enterprise to observe such general or specific directions and for such period as is specified in the directions, in respect of the prices of any services (including the rates of interest charged, where applicable) supplied by that enterprise, as the Reserve Bank thinks fit for the purpose of the absorption by the enterprise of the whole or any part of the monetary amount of the excess profit, and the enterprise shall comply with those directions.

“(3) Any financial enterprise (not being an enterprise to which subclause (2) of this regulation applies) which considers that it should be entitled to a higher maximum profit ceiling than that determined in accordance with regulation 4 hereof may apply at any time to the Reserve Bank to fix a higher maximum profit ceiling for that financial enterprise in the financial year in which the application is made and for any succeeding financial year, or for its approval of the determination of its maximum profit ceiling on any other basis.

“(4) Every application made under subclause (3) of this regulation shall be accompanied by such information as the Reserve Bank requires.

“(5) Upon receipt of an application under subclause (3) of this regulation, the Reserve Bank may in respect of the financial enterprise, for the financial year in which the application is made and for any subsequent financial year, fix a profit ceiling higher than the maximum profit ceiling of that enterprise or, as the case may be, approve the determination of the maximum profit ceiling on some other basis, or in any case refuse the application.

“(6) In exercising its powers under subclause (2) or subclause (5) of this regulation, the Reserve Bank shall have regard to the economic stability of New Zealand, and shall have such regard as it thinks fit to the ratio of pre-tax profit of the financial enterprise to its funds employed compared with the ratio of pre-tax profit to funds employed realised by any other financial enterprise or financial enterprises of the same class or any other factors that the Reserve Bank thinks relevant.

“(7) If in any financial year ending after the commencement of these regulations any financial enterprise increases its funds employed by the creation of a reserve as a result of a revaluation of any assets, the Reserve Bank may disallow either in whole or in part any such increase for the purpose of the determination of the amount of the funds employed by the financial enterprise in that financial year.

“(8) Nothing in this regulation shall limit the exercise of any power by the Reserve Bank under any provision of the Reserve Bank of New Zealand Act 1964 or any regulation, order, or notice made or given thereunder.”

(2) Regulation 8 of the principal regulations is hereby amended by inserting, after the word "enterprise", the words "or financial enterprise".

**6. Notification of proposed increases in prices of financial services—**The principal regulations are hereby further amended by inserting, after regulation 25, the following regulation:

"25A. (1) In this regulation—

" 'Funds employed' has the meaning defined in regulation 4 hereof:

" 'Specified financial service' means a financial service of a kind specified in the Fifth Schedule to these regulations.

"(2) Before any supplier increases the price of any specified financial services, he shall forward to the Reserve Bank a notice in writing stating the reasons for the price increase and itemised details of the financial figures on which the calculation of the price increase is based.

"(3) Where the Reserve Bank does not, within 28 days after receiving a notice pursuant to subclause (2) of this regulation, notify the supplier that the Bank objects to the proposed price increase, the supplier may increase the price to the extent so notified; but, if the Reserve Bank so objects within that period, the supplier shall not increase that price except to the extent approved by the Reserve Bank.

"(4) In the consideration of any proposed increase in the price of any specified financial service, the provisions of regulation 31 hereof shall apply, with all necessary modifications, as if—

"(a) The specified financial service were a Category A item; and

"(b) The Reserve Bank were the appropriate pricing authority.

"(5) Any decision of the Reserve Bank on any such notification shall be final and conclusive until revoked or amended by the Bank.

"(6) Every financial enterprise which increases the price of any financial service supplied by it (not being a specified financial service or the selling or discounting of any credit instrument) shall, if its business at the end of its immediately preceding financial year employed funds of \$500,000 or more, notify the Reserve Bank in writing of details of the increased prices within 14 days after their implementation.

"(7) Nothing in this regulation shall affect any power exercisable by the Examiner of Trade Practices and Prices or by the Trade Practices and Prices Commission or any duty imposed on any person under the Trade Practices Act 1958.

"(8) Any notification under this regulation shall be in such form as the Reserve Bank requires or approves."

**7. Review of prices of financial services—**The principal regulations are hereby further amended by inserting, after regulation 25A (as inserted by regulation 6 of these regulations), the following regulation:

"25B. (1) Notwithstanding anything in these regulations, the Reserve Bank may at any time, of its own motion or at the request of the Minister of Finance, inquire into the prices charged for any financial services by any supplier or suppliers of financial services.

"(2) On any such inquiry, the Reserve Bank may in its discretion fix the maximum price that may be charged or the maximum amount of any item included in the price of any such financial service.

“(3) In reviewing of its own motion or at the request of the Minister of Finance the prices of any financial services under this regulation, the Reserve Bank shall take into account the economic stability of New Zealand, the costs involved in the supply of those services, and the profitability of the suppliers of those services in relation to the funds employed by them or to the profitability of other suppliers of the same class of services. Any decision of the Reserve Bank made pursuant to subclause (2) of this regulation shall be final until revoked or amended by the Bank.

“(4) Where under this regulation the Reserve Bank fixes maximum prices or the maximum amount of any item included in the price of any financial service, no person shall sell any such service at a price that exceeds the price so fixed or, as the case may be, incorporate an item in the price that exceeds the item so fixed.”

**8. Production of accounts and performance reports**—Regulation 33 of the principal regulations is hereby amended by adding (as subclauses (2) and (3)) the following subclauses:

“(2) Every financial enterprise shall not later than 120 days after the end of every financial year ending after the commencement of these regulations furnish to the Reserve Bank a fully detailed copy of its financial accounts for that financial year:

“Provided that where any such financial year has ended on or after the 15th day of July 1974 and before the 21st day of October 1974, the copy of the financial accounts for that year shall be furnished to the Reserve Bank not later than the 17th day of February 1975.

“(3) The Reserve Bank may, on application in writing, exempt any financial enterprise in whole or part from compliance with subclause (2) of this regulation.”

**9. Delegation of powers by Secretary**—Regulation 38 (1) of the principal regulations is hereby amended by inserting, after the words “Department of Trade and Industry”, the words “or, with the concurrence of the Minister, such other officer or officers appointed under the State Services Act 1962”.

**10. Specified financial services**—(1) The principal regulations are hereby further amended by adding the Fifth Schedule set out in the Schedule to these regulations.

(2) Regulation 35 of the principal regulations is hereby amended by inserting, after subclause (2), the following subclause:

“(2A) The Minister may from time to time, with the concurrence of the Minister of Finance, by notice in the *Gazette*, amend the Fifth Schedule to these regulations by adding or omitting the name or description of any financial services.”

(3) The First Schedule to the principal regulations is hereby amended by omitting from the part of clause 1 headed “*Services*” the item “Bank charges (being charges made by trading banks in respect of current accounts)”.



SCHEDULE  
FIFTH SCHEDULE TO PRINCIPAL REGULATIONS  
"FIFTH SCHEDULE  
SPECIFIED FINANCIAL SERVICES

"Bank charges (being charges made by trading banks in respect of current accounts)."

P. G. MILLEN,  
Clerk of the Executive Council.

EXPLANATORY NOTE

*This note is not part of the regulations, but is intended to indicate their general effect.*

The regulations amend the Stabilisation of Prices Regulations 1974. The general effect of the amendments is—

- (a) To vest in the Reserve Bank of New Zealand new responsibilities in respect of the control of profits realised by financial enterprises and the control of prices charged for financial services. The terms "financial enterprise" and "financial services" are defined in regulation 2 (2).
- (b) To place a ceiling on the overall profit which financial enterprises may realise in any financial year. The ceiling is related in general to the ratio of pre-tax profit to the average funds employed by the financial enterprise in the 4 years preceding the commencement of the principal regulations. Loss years may be excluded from the historical period. Should the ceiling be exceeded, the financial enterprise may be required to observe such special or general directions as the Reserve Bank thinks fit for the purpose of the absorption by the financial enterprise of the excess profit. A profit ceiling higher than the financial enterprise's maximum profit ceiling may be approved by the Reserve Bank on certain grounds.
- (c) To require all suppliers of the financial services specified in the Fifth Schedule to the regulations to notify the Reserve Bank of proposed increases in the prices of these services. Such increases may be implemented if the Reserve Bank does not object within 28 days of the receipt of the notification, but if the Bank objects the supplier is not permitted to increase that price except to the extent approved.
- (d) To require financial enterprises employing funds of \$500,000 or more to notify the Reserve Bank in writing of any increases in the price of any financial services supplied by them within 14 days of their implementation. The prices of such financial services or any other financial services supplied by any supplier may be reviewed by the Reserve Bank and the prices fixed by the Bank.

The regulations also make the following other amendments to the principal regulations:

- (a) Regulation 2 (3) amends the definition of "price" in the principal regulations to make it clear that the term includes any discount paid or given on the sale or purchase of a credit instrument, and also includes interest charges.
- (b) Regulation 2 (4) provides that the publication or exhibition of a price list for goods or services, or the furnishing of a quote, or other specified indication of price will constitute an offer to sell the goods or services.
- (c) Regulation 9 authorises the Secretary for Trade and Industry with the Minister's consent to delegate his powers under the principal regulations to officers of the Public Service who are not officers of the Department of Trade and Industry.

Issued under the authority of the Regulations Act 1936.

Date of notification in *Gazette*: 19 December 1974.

These regulations are administered in the Department of Trade and Industry.