

2016 – 17 ADDITIONAL SENATE ESTIMATES
CROSS PORTFOLIO INDIGENOUS MATTERS
26 May 2017

Opening Statement

Good morning Senators

To begin with I would like to acknowledge the traditional owners of the land on which we meet today the Ngunnawal and Ngambri peoples. I would like to pay my respect to their elders both past and present.

My Name is Wally Tallis. I am of South Sea and Torres Strait Islander descent, with family connections to the Birri Gubba peoples of North Queensland. I am currently acting Chief Executive Officer of Indigenous Business Australia.

I would also like to pay my respects as today is National Sorry Day and acknowledge those many families and communities who have been affected.

I would like to take this opportunity to provide the Committee with a brief update of IBA's outcomes since the last hearing.

I start with our Business Development and Assistance Program, or BDAP. As you will have seen in the recent Budget release for 2017-18, and as announced by Minister Scullion, the program's funding arrangements for the next four years of appropriation will be redirected through the Indigenous Advancement Strategy - administered by the Department of the Prime Minister and Cabinet under a contractual arrangement.

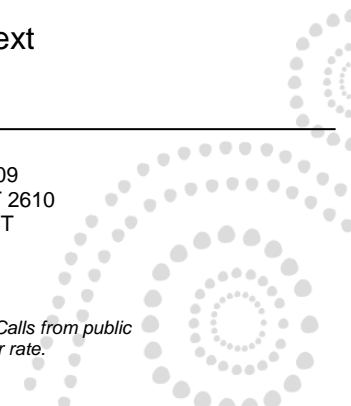
This is in effect an extension/continuation of the 12 month contract we are currently and successfully operating under. Negotiations for 2017 - 18 contracted deliverables and terms are underway. We are hoping the next



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contract arrangement will not significantly change the way we now operate the BDAP.

BDAP performance remains strong with our third quarter results demonstrating that IBA has met or exceeded all but one target for the nine months to 31 March 2017 and in many cases has or is close to achieving the full year targets as set out in the current contract.

In addition to this strong performance IBA has a range of actions in place to continue to be innovative through new product development.

These new products include:

- A new Start-up Finance Package
- Procurement loans
- Digital Marketing workshops
- Business Accelerator, Collaborative Spaces, Cash flow finance, and a range of other business support initiatives

Pleasingly, IBA customer satisfaction for business workshops is at 97 per cent which demonstrate that the workshops are meeting the needs of our customers.

IBA continues to actively assist businesses in remote Australia. Over 42% of business workshops and 44% of loans to new customers were for businesses and entrepreneurs in remote or very remote regions. In addition IBA is actively participating in assisting businesses with procurement development opportunities through our Sector Development team.

As at 30 April 2017 loan commitments for the 2016 - 17 financial year are just over \$12,500,00 against an annual budget of \$13,700,000. Of this 75% of these funds went to helping new customers enter the market and 77% of our loans went to customers with a high, very high or extreme risk rating, meaning IBA continues to be a lender to people not able to access mainstream lending.

The Minister also announced there will be changes to focus our effort on helping start-ups and Indigenous Entrepreneurs who need intensive support or tailored products not provided by mainstream lenders.

This is seen as an expansion of the continued work we are doing to complement our standard business loan and asset leasing offerings which is based on our engagement with Indigenous businesses and a first-hand understanding of our customer's needs and aspirations.

IBA continues to build new partnerships to enhance outcomes for our business customers. These partnerships with key Aboriginal and Torres Strait Islander organisations will better deliver the solutions to the inequality experienced by Indigenous Australians.

For example, through IBA's partnership with PSG Holdings who is an Indigenous services based organisation, IBA is helping to develop a number of Indigenous businesses who will be upskilled and trained to a point where they'll be given a "live" contract with PSG and then have the ability to win tenders for services contracts in their own right.

Irrespective of funding arrangements, IBA remains committed to develop the capabilities and skill-sets of Aboriginal & Torres Strait Islander peoples required to start and grow viable sustainable businesses.

Now moving to the home ownership program, IBA has implemented a number of initiatives to increase opportunities for Aboriginal and Torres Strait Islander individuals and families facing housing affordability issues as a result of low incomes.

In the last year, IBA reduced commencement interest rates for our lowest income customers to 1%, which is a historic low - particularly compared to mainstream banks.

Interest rates and terms for fee finance loans were changed to assist customers who demonstrate ability to service a loan but have difficulty saving enough to cover the additional costs imposed on individuals and families when buying a house like stamp duty and legals.

In addition to its affordable interest rates, IBA reduced its deposit requirements to as low as \$1,500 for eligible customers with low income and IBA requires no mortgage insurance.

Amendments for the qualifying length of time in employment were also made so people who have been in employment for shorter periods now have better access to home loans.

Demand for the Homes Program continues to be strong. As at 30 April 2017 IBA had approved 414 loan applications, with over 90% to first home buyers, compared to under 15% in the wider market.

The introduction of an online expression of interest process and more targeted marketing has seen an increase in demand when compared to the same period in the previous financial year. 318 new EOIs were received for April 2017 – a 65% increase on the monthly average received each month over the first 6 months of this financial year.

These new initiatives are to improve upon the foundation of a highly effective Commonwealth program which has provided Indigenous home ownership outcomes to over 17,000 Aboriginal and Torres Strait Islander people for in excess of forty years.

In a recent study by URBIS who reviewed the economic impact of the Indigenous Home Ownership Program since its inception, from a contributed equity through appropriations of \$239 million, this program has created an additional \$2.1 billion in asset wealth to our customers.

Urbis also found that this program has also contributed over \$630 million to the Australian economy and over \$73 million in Commonwealth and State Government revenues.

Urbis have also calculated that via the program over \$18 million in savings to the Commonwealth have been realised through reduced Commonwealth Rent Assistance payments and freed up social housing for over 8,800 Australians resulting in avoided costs to the community from homelessness of approx. \$31.6 million.

The current loan portfolio stands at approx. 4,500 home loans valued at \$1.1 billion.

IBA facilitated an Indigenous housing roundtable in March, a working group has been established to assist IBA to further reframe its IHOP strategy to support increased supply of affordable housing (including on Indigenous land); through shared equity, rent-to-buy products and a structured financial literacy program.

Investments

Our Investment program continues to perform strongly, particularly in offering a range of investment opportunities for Indigenous organisations, as well as working on expanding its offering by developing new products and services.

We are actively engaged with more than 110 organisations, many of which are in regional or remote Australia, to develop improved governance, sustainability and commercial capability. Of these groups, 34 are co-investors with IBA. In addition, the Investments program also provides leasing solutions to a further 61 Indigenous clients, with a continued focus of IBA being how we can expand our reach and assist to deliver outcomes to an ever increasing client base.

Conclusion

In conclusion, IBA is committed to delivering meaningful and sustainable outcomes for our customers. We are performing well, continuing to develop new products and services, and building partnerships with Indigenous communities, as well as government and private sector organisations.

Our approach is and will continue to be evidence based – built on proper consultation with the Aboriginal and Torres Strait Islander people and communities we work with.

Thank you.