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# Official Committee Hansard

JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL  
SERVICES

**Reference: Banking and financial services in rural, regional and remote areas of  
Australia**

MONDAY, 21 JULY 2003

DARWIN

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## **JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES**

**Monday, 21 July 2003**

**Members:** Senator Chapman (*Chair*), Senator Wong (*Deputy Chair*), Senators Brandis, Conroy and Murray and Mr Byrne, Mr Ciobo, Mr Griffin, Mr Hunt and Mr McArthur

**Senators and members in attendance:** Senators Chapman, Murray and Wong

**Terms of reference for the inquiry:**

To inquire into the level of banking and financial services available to Australians living in rural, regional and remote areas of Australia with particular focus on the following:

- (a) options for making additional banking services available to rural and regional communities, including the potential for shared banking facilities;
- (b) options for expansion of banking facilities through non-traditional channels including new technologies;
- (c) the level of service currently available to rural and regional residents; and
- (d) international experiences and policies designed to enhance and improve the quality of rural banking services.

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**Committee met at 9.04 a.m.**

**GARDINER, Mr John, Senior Policy Officer, Partnerships and Regional Development Branch, Department of Community Development, Sport and Cultural Affairs**

**NOLEN, Mr Mark John, Indigenous Economic Development Coordinator, Department of Business, Industry and Resource Development**

**CHAIRMAN**—I call the committee to order. Today in Darwin the committee continues with its public hearings into the level of banking and financial services available to Australians living in rural, regional and remote areas of Australia. The committee will be holding public hearings this afternoon in Daly River and tomorrow in Alice Springs. The committee expresses its gratitude to all those who have assisted it so far in its inquiry. Before we commence taking evidence, I would remind you that all witnesses appearing before the committee are protected by parliamentary privilege with respect to the evidence provided. Parliamentary privilege refers to the special rights and immunities attached to the parliament or its members, and others, necessary for the discharge of parliamentary functions without obstruction or fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given by him or her before the parliament or any of its committees is treated as a breach of privilege.

Unless the committee should decide otherwise, this is a public hearing and, as such, all members of the public are welcome to attend. The committee prefers that all evidence be given in public, but should you at any stage wish to give part of your evidence in private then you may request that of the committee and we will consider it. The committee has before it a written submission from the Northern Territory government, No. 128. Do you wish to make any alterations or additions to the submission?

**Mr Gardiner**—No.

**CHAIRMAN**—I now invite you to make a brief opening statement, at the conclusion of which the committee will ask questions.

**Mr Gardiner**—A significant issue in the development phases of the Northern Territory in recent years has been the decline in both banking and financial services in remote areas. The circumstantial evidence—and the observations that we have made over the last decade, particularly across Indigenous communities in the Territory—is that the level of banking and services has declined. Seventy per cent of our remote area population are Indigenous. The general intent of the government and the community in policy and programs is that remote areas should move beyond being supported by welfare and the government to being an independent economy. Private sources of finance and financial services need to be locally available to encourage economic development and to retain cash in the small communities. This is in an environment of cost pressures and deregulation which has removed mainstream banking services from remote Territory communities with a population of less than 5,000 people. It has also encouraged a trend towards self-banking facilities such as ATMs and EFTPOS. This trend may have been grudgingly accepted by the more mainstream remote towns in Australia, but the withdrawal of local counter services has not been popular with Indigenous customers for cultural

reasons. The extent to which that has been compensated for, by customers adopting this technology, has been limited by their education and the communications infrastructure.

The level of servicing has also been constrained by cutbacks from government agencies that have also been made in the name of cost cutting. Those living in remote areas are now disadvantaged by not having direct representation from agencies, particularly welfare agencies, on site. In some of the larger regional centres such as Tennant Creek or Katherine better levels of services are available than in the remote areas, yet the staff in banks generally lack the communication skills to deal with their Indigenous customers. Again, I emphasise that 70 per cent of the customers in our remote areas are Indigenous.

Levels of banking and financial services are dependent on affordable telecommunications infrastructure. The issue of remote area telecommunications has been the subject of a number of previous and current inquiries. The interconnectivity of economic development, welfare, education, health, financial services and telecommunications should be the essence of any debate.

Significant advances in meeting the demands of a largely Indigenous remote area population have been made through the services of the Traditional Credit Union. That success has attracted attention, particularly in Cape York, where it has encouraged education and expansion. A similar but smaller model is operating through Tangentyere. The Northern Territory government submission to this inquiry has encouraged exploration of the potential for government to partner with the Traditional Credit Union to spread its services. As there is a witness from the credit union following me, I will leave that to him.

The rural transaction centre program has provided some opportunity to develop such partnerships between government and communities in the local provision of banking and financial services. However, we have found in the last 12 months that, in our situation here in the Territory, it is of little help to those communities which are largely dysfunctional and lacking in local expertise; to run a rural transaction centre, you still need that outside assistance. Furthermore, there appears to be reluctance by communities to enter into the scheme because of the debt incurred upon them. This debt, which can be in the order of \$1 million, has to be paid back from rents received and from non-government tenants such as a bank or credit union. In that case, they are going to pass it on to their customers. I believe that you are travelling out to Daly River this afternoon where you may hear that again.

The use and abuse of plastic technology with Indigenous communities has become well known. Indigenous people have easily become a captive market for retail providers such as pubs, taxi drivers, stores, hawkers and so on. 'Book-down' services are obvious as are the exploitations associated with captive markets and higher prices. Welfare cheques or cards go to a shop to pay for security or credit rather than to the customer direct. The concern is that this prevents proper budgeting by families, opens possibilities for exploitation by the operators and the account holders lose control of their own accounts.

We need to look at remote area banking and financial services within the context of advancing regional development programs across the Territory, through policies adopted by both the Territory government and the Commonwealth government. In the last few years, the Territory and Commonwealth have dovetailed towards building a capacity within regions to negotiate



their own required levels of services. My own agency has the charter to spearhead regional development in the Territory through the Territory government and the Territory communities. Development, for them, is a stool that has three legs: cultural, economic and social. Numerous partnership agreements between communities and governments are emerging, along with regional plans. The local availability of banking and financial services is soon going to become critical in these partnerships and negotiations.

The unique land situation in Indigenous communities needs to be kept in mind. In mainstream Australia, personal banking and financial services centre around the mortgage on the family home. The family home forms the basic framework of financial management and planning for most Australian families, not the least of them mine. However, the majority of housing for Indigenous people in remote areas of the Territory is on Aboriginal land, preventing any real legal form of long-term ownership for the individual or family. For many years, such housing has been funded by government grant programs, but it would be short-sighted to assume that such public subsidy and ownership arrangements can go on forever.

Our vision for the expansion of banking facilities and financial services across these areas is rather limited, because we basically do not know what the demand is, or the potential for expansion. We have regulatory tasks that hinder development and, again, the witness from the Traditional Credit Union can address this. An additional restraint on the expansion into new sites of services such as those offered by the Traditional Credit Union has been the low level of reserves and the conservative risk management which that organisation has justifiably adopted. Given its limited reserve capacity, it can only maintain a modest expansion program across the Territory of something like two new branches a year, but the demand is probably four or five times that. Government could either enhance the capacity of such an institution to expand into new branches by supplementing its capital reserves or by providing some form of guarantee. The rural transaction centre program could assist with the expansion of services through appropriate reviews that address the problems I have already mentioned above.

For the purposes of the submission, my agency did a very superficial survey across the Territory, a copy of which has been circulated. I must emphasise that this is not a statistically well balanced and designed survey; it was basically done by field officers going around in a motor car, with a notebook on their lap, just looking at it centre by centre. No more should be read into it than that. But it certainly demonstrates that there is circumstantial demand for more services out there that are more friendly to Indigenous circumstances. The need for a more systematic and rigorous survey is obvious.

You will note in that survey, too, the emerging popularity of the Traditional Credit Union—quite a number of centres have been on the waiting list for the Traditional Credit Union for some years—and the very widespread use of EFTPOS. You will also notice some commonly expressed problems, particularly the inability of account holders to either check their account balances or transfer funds between accounts—things that in mainstream Australia you just take for granted. There is also a growing interest in and awareness of the rural transaction centre program, but the problem of incurred debt, which I spoke of previously, is commonly used as a reason for not applying for such funds. Thank you.

**CHAIRMAN**—Thank you. I note from your survey and also from your submission that there is quite a heavy reliance on EFTPOS in the remote areas. The survey shows that people are

unable to check account balances or cheaply send or transfer funds through EFTPOS. Do you know what the impediments are to improving the EFTPOS service so that those services could be provided through that facility?

**Mr Gardiner**—No, I cannot claim to be an expert on that. Given that you have Traditional Credit Union on my heels, I would prefer that you ask them that question. They will give you the full technicalities of it all. As for the difficulties with signatures and in actually using EFTPOS, the person at another centre who has to serve a customer, particularly an Indigenous customer, with an EFTPOS card is not really able to verify who that person is. The person will invariably have problems with pass numbers and code numbers. They just have difficulty with something that is so technically based as an EFTPOS card. You would be quite amused if you spent an hour standing by the wall in the local credit union here watching what happens.

**CHAIRMAN**—Perhaps we should do that.

**Mr Gardiner**—Every banking regulation in the book is broken.

**CHAIRMAN**—There is also reference to payroll automatic deductions. What level of service is available through that?

**Mr Gardiner**—There is a considerable level of service through Traditional Credit Union particularly geared towards Aboriginal communities. They can get their payroll in, they can get their rent out and they can get electricity money out—all as kinds of automatic things. These are really popular in communities that have Traditional Credit Union, thus the communities that do not have Traditional Credit Union are screaming. As for mainstream banking, the mainstream banks do not have the presence or the incentive to provide those services to those types of places.

**CHAIRMAN**—Your survey also refers to the fact that the EFTPOS service in particular is totally reliant on communications facilities through optic fibre and that if that is damaged then no banking services are available. Are you aware how often that happens?

**Mr Gardiner**—Only through circumstantial observation on my own part. I am not aware of any survey but I have personally experienced instances such as trying to get fuel at Borrooloola when I could not do it in the proper and normal way because the communication lines were down. That particularly happens in the wet season and in the cyclone season here. The Northern Territory government did a submission for a recent telecommunications inquiry and that kind of issue was dealt with quite extensively.

**CHAIRMAN**—In a number of the rural areas that we have visited and in which we have taken evidence there has been favourable reference to the giroPost facility offered through post offices. But in the written submissions that we have so far received in relation to the Northern Territory there does not seem to be any significant reference to the giroPost service. I am wondering if you are aware of the giroPost service and to what extent it is available here.

**Mr Gardiner**—I think they have forgotten about us. It would be worth asking the other witnesses. I am not aware of it.

**CHAIRMAN**—So you are not aware of any of the remote post offices offering giroPost banking services?

**Mr Gardiner**—No. There are probably very few remote post offices. They are mostly agencies or the council office.

**CHAIRMAN**—In your submission you referred to the issue of book-up and the problem that causes for Indigenous people. Has any legal action been taken against businesses involved in book-up? If so, what has been the outcome?

**Mr Gardiner**—I cannot speak with authority but no doubt there has been, particularly through Commonwealth welfare departments when cheques have been misappropriated. I have not got the information to give more details.

**CHAIRMAN**—How widespread is that problem?

**Mr Gardiner**—If the department of social security were to answer that question, they would probably give quite a detailed answer because the prosecutions may not be very numerous but the inquiries certainly are. It is related to that whole thing of banking services, financial services, education and understanding budgeting that I spoke of previously. Any business out bush, even if it is a store, has to be fairly meticulous in its bookkeeping because they have incredible expenses, so they are obviously nervous about it too.

**CHAIRMAN**—Some of the early evidence we took in relation to the Northern Territory suggested that banks were allowing low income Indigenous people to overdraw their accounts on electronic withdrawals and then they were charging substantial fees on the overdrawn account. Are you aware of that?

**Mr Gardiner**—I am aware of that happening. I cannot claim to be an expert on it. Again, the witness from the Traditional Credit Union may know more about it. It is often a consequence of the telecommunications problem I was talking about before. If you cannot check someone's account to make sure the funds are there then you take it in good faith that the funds are there, so the account gets overdrawn.

**CHAIRMAN**—Do you know whether banks in the Territory offer the safety net basic banking account that is basically not capable of being overdrawn?

**Mr Gardiner**—To Indigenous people?

**CHAIRMAN**—Yes.

**Mr Gardiner**—They would not be able to not offer it to Indigenous people on the basis of race so no doubt they do, yes.

**CHAIRMAN**—Do they actively promote that type of account by advertising and other forms of promotion?

**Mr Gardiner**—I could not answer that.

**CHAIRMAN**—Another issue that has been raised, and it is referred to in your submission, is financial literacy, and the lack of financial literacy amongst a number of Indigenous people. Where do you think this can best be tackled—at the school level or are there other ways in which it can be tackled?

**Mr Gardiner**—I have to blow the trumpet for the Traditional Credit Union, again, because they are really our main player in this field. The Northern Territory government and the Commonwealth government joined forces with the Traditional Credit Union some two or three years back and did a series of community training programs centred around the operation of a credit union. That went into things such as the use of EPTPOS cards and family budgeting, and it was enormously popular and successful. They ended up developing staff modules and everything from that. That program lasted only two years but it showed the potential of community education by facilitators who understood how to communicate in communities. It was also introduced into some of the schools, depending on the cooperation of the local headmaster or school council, and when it was introduced it was very popular. It could go right through the curriculum almost down to the little tackers. We have demonstrated the potential for that and also the interest. It remains to be launched as a fully fledged program.

**CHAIRMAN**—Is there a noticeable difference between the financial literacy of the Indigenous people and people of European background?

**Mr Gardiner**—There is, but there is a very broad spectrum of Indigenous education. Some are quite well versed and some are not. You have to keep in mind that, particularly in remote parts of the Territory, we are looking at only the fourth, fifth or sixth generation away from a pure hunter and gatherer society moving into a Western economic system. That is an incredible gap.

**CHAIRMAN**—How do you think the education program you referred to could be made more relevant and more effective?

**Mr Gardiner**—It can be made more relevant and effective by being introduced into communities so that communities have some ownership in how it is presented. In other words, they present it themselves given the facilities of outside support, and it addresses the financial situation that they are faced with on a day-to-day basis, which largely is either welfare or CDEP based. As you suggested before, it is not only going through the adult side of the community but it has also infiltrated into the school curriculum of those communities. The model arrived at through those two years of trimming, tailoring and reshaping the model that the Traditional Credit Union came up with would be quite effective for launching into a bigger program.

**Mr Nolen**—A similar system has been used in Cape York in the last two years by FaCS, where they have been using a family income management system. It has been fairly expensive, but in the three communities they have been using it in it has been extremely successful. The social benefits have been as great as the financial benefits.

**Senator WONG**—FaCS have run a financial literacy program?

**Mr Nolen**—Yes. It was called FIM, family income management.

**Senator WONG**—You said it was fairly expensive. Was a lot of staff time required?

**Mr Nolen**—Yes. They had a fair bit of support from Westpac. It was extremely intensive—a lot of this ownership idea by Indigenous people. Unless you get them fully involved and they own the system and feel they are part of it, it will not work. A lot of time was spent sitting down with people. Appropriate staff is always difficult when dealing with Indigenous people. There are a limited number of people who have the skills and it is difficult finding those sorts of people. You must spend the time to get the Indigenous people to understand what they could do with their income. There were direct social benefits as well as financial benefits. Families became more functional for various reasons. There was money for disposable income. All of a sudden there was furniture and whitegoods happening in homes.

**Senator WONG**—We have had some evidence about that. How long did that run for?

**Mr Nolen**—It has been running for about two years, I think.

**Senator WONG**—In terms of the cost implications, there may be a spike to do a lot of initial work, but is there some sort of trending downward of any cost to government, or are you not familiar with that?

**Mr Nolen**—I am not familiar with that. I was lucky enough to receive a report just recently from FaCS.

**Mr Gardiner**—FaCS was also a key player in the Traditional Credit Union project, so they have become quite a major Commonwealth contributor.

**CHAIRMAN**—Your submission also makes reference to the small business ministerial council and its endorsement of a strategy to improve access by Indigenous Australians to mainstream and Indigenous small business assistance with the aim of encouraging Indigenous people to become involved in and remain in business. How do you think the work of that council and some of the issues they are working on fit in with this inquiry and some of our recommendations?

**Mr Gardiner**—I am not sure that that council has handed down its findings. It was basically along the lines that economic development, particularly with regard to small business in small remote communities, was the most obvious and achievable way of starting to generate a private economy within those communities. That was their basic philosophy, which has been tried by previous governments and now this government with varying success.

**CHAIRMAN**—It seems to me that if you are going to try to get active involvement in business in those remote communities you are going to need, in a sense, a higher level of banking activity and service than is required for consumers.

**Mr Gardiner**—Exactly. And that is part of the submission. There is a paragraph or two in our submission on that. Those words came from that ministerial council.

**CHAIRMAN**—It may well be that, if there are some initiatives to be taken under this ministerial council, some of the things that we might want to achieve in banking may be

achievable through the initiatives that they are proposing, or there may be a capacity for our recommendations to tap into some of their initiatives.

**Mr Gardiner**—Yes, exactly. The simple illustration is that it is very hard to run a tyre repair business in a small community like Roper River if you do not have a bank there to help you with your ins and outs. Your nearest bank is in Katherine, which is hundreds of kilometres away. That is the kind of thing you are talking of.

**Senator WONG**—On the second page of the survey that you have provided, quite a number of communities are identified as having a Traditional Credit Union branch, but under ‘Problems’ they list ‘No banking facilities’. Can you explain what that means?

**Mr Gardiner**—At the time that survey was made, the Traditional Credit Union could provide services around its own organisation—its own credit union—but it was very difficult to deal through them with other banks such as Westpac or the Commonwealth Bank. In other words, they could only deal with their own small institution. That is what they mean by no banking facilities.

**Senator WONG**—What banking services are the TCU not providing that are needed? Is that what is being suggested?

**Mr Gardiner**—It was suggested that those things are loans, investment advice and the extra services that a bank would provide above its normal teller service.

**Senator WONG**—In the sorts of communities that were subject to your survey, what is the spread of presence of the Department of Family and Community Services?

**Mr Gardiner**—Are you talking about the influence of the Department of Family and Community Services?

**Senator WONG**—No. Where are they? Do they have offices in these communities? Are there any branches in these areas? I am just trying to get a sense of it.

**Mr Gardiner**—There is virtually no presence of those agencies in the smaller communities, although the rural transaction centre is starting to open up possibilities of people, say, from Centrelink actually residing in the community and providing the service on site. Other than that, the services are coming from the main administrative areas of the Territory—Darwin, Katherine, Tennant Creek, Alice Springs or Nhulunbuy—and they are very small.

**Senator WONG**—Certainly. What about telecommunications infrastructure? You make some comments about that in your submission.

**Mr Gardiner**—The limitation is in the service provided to very remote areas and also in the dependence of small credit union or bank agencies on those electronic services. The underground optic fibre developments have proved to be quite secure against the weather and the elements that the Territory offers, but the other things, such as satellite communications and everything, have had their problems. Port Keats, for instance, still does not have a terrestrial communications system, and that is quite a large community.

**Senator WONG**—In your survey, what percentage of these communities have access to the sort of infrastructure that is required for remote banking?

**Mr Gardiner**—I would be hesitant to guess at that. I would like to take that question on notice, if you do not mind.

**Senator MURRAY**—When we were in Queensland we visited a relatively small village where the local council had helped to support the establishment of a small credit union office within the library facility they were providing. There was a building with a meeting room and a library, and integrated into it was a small credit union office staffed by a credit union employee. Is there any opportunity, in the areas of the Northern Territory where there is a deficiency in services, for councils or administrative bodies to do a similar thing?

**Mr Gardiner**—Yes, there certainly is. That is quite a common scenario in the Territory. That is often the way the Traditional Credit Union gets started in a new community.

**Senator MURRAY**—So it is almost standard where there is enough population?

**Mr Gardiner**—Yes, because in a small community the council infrastructure is quite a major part of the whole community.

**Senator MURRAY**—What about where councils provide mobile facilities which periodically visit remote communities. I think you have mobile libraries in some cases. Is there any opportunity to tack it onto that?

**Mr Gardiner**—I cannot claim to be an expert on that, but those kinds of services are very limited in the Territory. The banking services are probably more thorough than they would be, especially once you get off the Stuart Highway.

**Senator MURRAY**—I cannot recall if the chairman raised the issue of post offices.

**Mr Gardiner**—Yes, he did—giroPost.

**Senator MURRAY**—Does the post office provide a mobile facility for periodic post services to areas or is that just impractical?

**Mr Gardiner**—No, I think it is possible, but whether the community prefers that to the establishment of a credit union is another question. The Rural Transaction Centre program has also encouraged that kind of cooperation. They are often in the one building.

**Senator MURRAY**—As you know, from a federal aspect there is only a certain number of ways that you can go. You can require people to provide certain services through customer service obligations or through ownership of things like Australia Post or you provide subsidies of some sort or you provide the technology. Really, it is the combination of those things which you need to look at.

**Mr Gardiner**—Yes, but on the other hand when we are talking about subsidies we are also talking about integration with Commonwealth and Territory regional development programs and

with welfare services, particularly the social advancement of those welfare services. So you start to get into non-economic, intangible benefits.

**Senator MURRAY**—In this inquiry we have found that there is a clear distinction between what I would describe as transaction needs—that is, those a person needs on a normal family or household basis—and business needs. Where is the greatest weakness, in your view? Is it with the former or is it on the business side?

**Mr Gardiner**—My impression is that at the moment it would be an equal deficiency. But the deficiency on the business side is becoming more obvious, because it is becoming a limitation to the development of small businesses such as the example I used before of the tyre repair service in a community. That is very difficult to do when you just have an EFTPOS card type business.

**Senator MURRAY**—In examining the situation in Queensland, where the banking services had been declining although they were still present, we saw that the provision of a building society facility, which focused heavily on being able to do full service business work as well as transactions, really accelerated the provision of services. It is almost as if one led the other: if you provide the business services, the rest follows.

**Mr Gardiner**—Yes, but in the Territory, if you are a fairly tightly strung institution such as the Traditional Credit Union and you are faced with two types of demands, one being to open up new agencies and the other being to expand services in existing agencies, which way do you jump?

**Senator MURRAY**—Do you think that the Commonwealth government and perhaps the Territory government in concert should consider, in certain circumstances, fully subsidising a service for a number of years to see if that would kick-start it so that it would eventually become viable on a self-sustaining basis? In other words, as a precursor to development, you could actually establish and fully underwrite a service in the belief that after a significant period of time—I would think five years would be reasonable—other businesses would come in and you would start to see the benefits?

**Mr Gardiner**—I certainly think there is potential there, but entry into that field has to be done after fairly well-disciplined survey and study to find out what the communities' aspirations are so as to develop a service along those lines and also after observing what is working and finding out how that can be improved. That type of survey, I suggest, has never really been done in the Territory. My very casual list there is about as close as you are going to get.

**Senator MURRAY**—The organisation in the Territory that would have the most knowledge of development opportunities would be your department, would it not?

**Mr Gardiner**—No, the actual issue of banking services at the moment—

**Senator MURRAY**—I am talking more in terms of total development—regional and local development.



**Mr Gardiner**—Yes, definitely—that kind of thing is my department. We are looking at not only economic development but also social and cultural development. Obviously, it integrates with other mainstream departments.

**CHAIRMAN**—There seems to be only limited operation of rural transaction centres in the Northern Territory. In your submission you refer to the issue of the cost of establishing them and the repayments required.

**Mr Gardiner**—That \$1 million figure is actually drawn from the experience at Port Keats, which is a bit further on from Daly River, where you are going this afternoon. It is quite a large community. That was the issue they were faced with. They could build this rural transaction centre, but it was going to cost them \$1 million. The tenants they put in somehow or other had to get that repaid.

**CHAIRMAN**—Are you saying that they were required to raise \$1 million or that the money was provided by the government and then had to be repaid to the government?

**Mr Gardiner**—It is by loan.

**CHAIRMAN**—It is by loan from the government?

**Mr Gardiner**—Yes.

**CHAIRMAN**—And that has to be repaid over time. Is there a fixed time period for repayments or is it negotiable?

**Mr Gardiner**—I think it is very negotiable. In that sense, it is probably quite achievable. But, for community leaders, the idea of wearing that debt puts them off the whole thing. They are frightened to go into that level of debt.

**CHAIRMAN**—One of the very positive initiatives we found in Queensland was the Heritage Building Society, which operates out of Toowoomba—it covers the region around Toowoomba in particular and a fair bit of Queensland—and they have come up with a model which I guess is similar to the Bendigo Bank model of community banks but where there is a much lower capital requirement. Obviously, the capital has to be raised by the community rather than loaned to the community and paid back. They were able to establish a community bank in partnership with local communities for the capital amount of around \$60,000 to \$100,000. Would that be a feasible proposition in some of these communities or would that be beyond their financial capacity?

**Mr Gardiner**—Some communities may have the financial capacity to do that because of mining investments. The witness from the Department of the Chief Minister may have a bit more expert knowledge on that.

**CHAIRMAN**—The other thing that the Heritage Building Society placed a lot of emphasis on was having strong leadership on the community banking issue in the local community where they were looking to establish the community bank. I guess that involves people having an adequate level of financial literacy as well as the drive to make it work.

**Mr Gardiner**—Yes, it certainly would have that problem, but on the positive side the aspects of leadership and ownership are highly beneficial to the development of an Indigenous community.

**CHAIRMAN**—Has any consideration been given to the possibility of mobile rural transaction centres? Senator Murray referred to mobile libraries. I do not know whether that could be done in conjunction with a mobile community bank.

**Mr Gardiner**—No, not that I am aware of. I was running fairly close to that program for a number of years and I never heard the idea.

**Mr Nolen**—You would have to be opportunistic. If all payments into a community happen, say, on Thursday in all the communities around the Territory, then someone would have to be there on that Thursday, otherwise it is gone very quickly.

**Mr Gardiner**—It is often a form of budgeting. Within Indigenous communities, particularly with old people, the most common bank transaction would be \$20. In other words, their welfare cheque would go in at a particular time and they would only draw out \$20 at a time. That would not really work with that idea of a mobile service.

**Senator MURRAY**—But it might work for a business.

**Mr Gardiner**—It would certainly work for a business. It beats putting all of the cheques in an envelope and sending it off to Katherine.

**Senator MURRAY**—What was in my mind was that those isolated businesses would best be serviced by that sort of approach.

**Mr Gardiner**—Yes. It is not only teller services that you are providing when you go out there; it is also the basic financial advice and linkages.

**Senator MURRAY**—I assume that the Territory government services would use a mobile transaction centre of some sort as well.

**Mr Gardiner**—Yes, it could open up possibilities. It would be particularly important to consult with government on how the thing was originally designed to be attractive to government business.

**CHAIRMAN**—Thank you for your appearance before the committee.

[9.55 a.m.]

**GAYKAMANU, Mr Djerringal (Henry), Director, Founding Member, Traditional Credit Union Ltd**

**McMILLAN, Ms Beverley Anne, Assistant General Manager, Traditional Credit Union Ltd**

**CHAIRMAN**—I welcome the representatives of the Traditional Credit Union to the hearing. As I said earlier, this is a public hearing, so the committee prefers that all evidence be given in public, but should you at any stage wish to give part of your evidence in private then you may request that of the committee and we will consider a request to move to an in camera hearing. The committee has before it a written submission from the Traditional Credit Union which we have numbered 58. Do you wish to make any alterations or additions to the written submission?

**Ms McMillan**—The written submission focuses on the need for Traditional Credit Union to pay high fees. Our submission today is geared more around the need for community education and advancement and growth in the Traditional Credit Union. But there are no alterations.

**CHAIRMAN**—I invite you to make an opening statement, at the conclusion of which we will move to questions.

**Ms McMillan**—I am the assistant general manager of the credit union. Djerringal Gaykamanu is a director and has always been a director of the Traditional Credit Union but, more importantly, he was one of the founders of the TCU. Barbara Bradshaw, the previous general manager, made the submission on behalf of TCU to the inquiry, explaining the need for the TCU to charge high fees. I am speaking on behalf of the current general manager, Mr Frank Mills, who has had to fly interstate due to a family death, and he sends his apologies to the committee.

I would like to explain briefly why the TCU was formed. That is important because it is the very reason that TCU is successful. During the 1970s and 1980s most remote communities had an agency of one of the major banks. These agencies operated using passbooks and they were staffed and operated by the local councils—in other words, the banks did not pay any operational costs; it was the responsibility of the councils. The banks had the expense of administering and monitoring those branches. With the introduction of computerised online banking, the passbook service was no longer an acceptable service. There was no profit to be made out of providing the services in Aboriginal communities. It is pretty basic knowledge that when people put money in and take it out there is nothing to be made out of them. It was generally felt that Aboriginal people could not manage or operate a modern computerised system and the banks just tended to move out one by one. They pulled out of the communities at quite a rapid pace, and it left the communities in a very awkward position. Stores and councils became the bankers in the communities. This created other problems, such as the obligation of people to spend a certain amount of money in the store and a credit regime where people's cheques were taken to pay for the previous week's book-up. It also started the feast and famine cycle where community members had plenty of food the first week they were paid but then many families were quite hungry in the second week.

The TCU really first became a focus for conversation among a group of elders in East Arnhem Land, where Henry comes from—he is a traditional landowner in Milingimbi. The Aboriginal people in those East Arnhem regions felt that they could have their own bank; they did not see any problem with it. They talked about the idea with the elders and traditional owners of other communities and they got a lot of support and interest. Then, when they realised that it was a common thought, that everyone wanted this to happen, they took their idea to the Arnhem Land Progress Association, which ran a lot of stores in Arnhem Land. After four years of talking, negotiating and lobbying with politicians, food suppliers and government departments, ATSIC eventually came along and provided some funding to get it going. Of course it took a lot more than funding, but I have cut a long story short.

TCU was incorporated in December 1994, operating a branch and a head office in Darwin, and the branches in the East Arnhem communities followed very fast behind that. Today the TCU has 11 branches operating with live online service, and we have two agencies that use the EFTPOS system. We currently employ 46 staff; 80 per cent of the staff are Indigenous. Twenty-eight of those are employed in remote communities and we have vacancies for another eight remote staff. We are proud of our remote staff, their achievements and their work ethic. They work with a high level of professionalism balanced with a strong cultural environment. The products and services provided by the TCU are up to date with those of most other credit unions. During the last six months, Internet banking and a phone banking service have been installed to give members the opportunity to use modern technology to control their finances.

The demand for new branches is high, but the TCU does not have the funds to expand into new areas on its own. Growth is strictly reliant on the communities applying for the Rural Transaction Centre funding and receiving that funding or some other form of grant. The TCU offers real jobs and on-the-job training, as well as nationally accredited training. All of our staff have completed or are in the process of completing Certificate II in Financial Services and many of them, of their own accord, choose to undertake further studies in certificates III and IV.

The majority of the TCU income is derived from low-income earners' fees. This needs to change. Marketing needs to be carried out to secure local council and business accounts. At the moment only one community completely supports the TCU. Too often the white administrators, instead of the community elders, decide which bank the council supports, and each time a new administrator heads a council they have no idea who the TCU is and hesitate to support an Aboriginal credit union. The TCU needs governments and large business to support it by depositing investment funds with the TCU. They may not accrue the same interest they currently do with their financial providers, but they would be creating an income for the TCU so that it could work towards providing much-needed education in the use of financial services. The four major banks openly encourage their Indigenous clients to transfer their accounts to the TCU, as they are costly clients and a nuisance factor in their banks. The big banks could compensate the TCU for taking over these high-overhead clients.

At the TCU, staff are dedicated and overworked, because extra staff are not affordable. There is so much that needs to be done to assist more people living in remote areas, who have no financial services or knowledge of products and services and the benefits of using them. The new financial services reform act has placed enormous pressure on the staff and finances at TCU. The cost to implement the new regulations is over \$200,000 that needs to be spent in the next 12 months. The remote people in Central Australia are calling for our help. They want and

need the services provided by the TCU. Rural Transaction Centre funding will provide the building and equipment, but this creates the need for a central desert region management office in Alice Springs. Community education must come first before any further expansion, and who will fund these projects?

After 8½ years of operation, the directors and staff of TCU have a great understanding of what is needed to assist remote Indigenous people. They are confident in their knowledge and would like to see a wider education and understanding for all Indigenous people. The TCU would love to do more, but we cannot ask the members to pay higher fees. So many people pat the TCU on the head and say, 'What a good job you're doing; keep up the good work.' These same people say that more should be done to educate the Indigenous population to manage their own finances.

Millions of government dollars have been spent to experiment with new ideas in some regions. The TCU has received little support in this area from government, which is strange considering the time they have been in operation and their first-hand experience in providing financial services to remote Indigenous people. Several government institutions approached the TCU management asking for our recipe for success in the area of employment and training for remote Indigenous people. Two of our remote staff have attained five years service with the TCU, which is quite a milestone. So many people are aware of the success of the TCU but it does not help us when we need to do more.

The Bank of Montreal was established to service the needs of American indigenous people. It received massive government floating funds to commence operation. The Bank of Montreal has \$1 billion in deposits. The government there saw the need and wanted the project to work. The Canadian government is also floating \$500 million in bonds to get the First Peoples Trust established. The TCU can continue to work as it is—some years making a small profit and other years making a small loss—but they could do so much more. All it needs is real support from organisations set up to assist Aboriginal people and which have multi-million-dollar budgets. The TCU is not looking for charity; it is looking for business support. The Traditional Credit Union is a successful Aboriginal business. It is owned by Aboriginal members, it is employing Aboriginal people and it is serving the needs of Aboriginal people. Please help us to do more.

**CHAIRMAN**—Thank you very much. Mr Gaykamanu, would you like to add anything?

**Mr Gaykamanu**—Our struggle has a very long background. It is a very old story. Everybody was searching around and training was part of it. Education came around and trained these people. It was very hard. I saw it with my dad. He was working hard for our community's development. He started in 1922 when Dr Warner took his photograph. Then in the 1930s Donald Thomson was there. That is where he started to bring people into the community for unity. That is where he started to train the people. That is his background.

I started in the sixties to work with the people, bit by bit, for community development and I am still working. I am the eldest at Milingimbi. I look after the community and I look after the TCU. I know the background story of the TCU—where it started, where it has come from and what it is like now. The TCU is a very big name and it has become really good. Everybody is happy that we started small and have grown big. That is very important for our training, for business and for saving money. We can show our kids down there why we started it up.

The little credit union is just like your home: you live there. That is why I said the credit union needs a home at Milingimbi for these people. This Traditional Credit Union is not going to be going somewhere else, either. I went down to the Daly River and talked to their people. I said, 'Where are we going to put the TCU, and who is going to own it?' I looked around—owned by somebody that was going to be living there. We are come-and-go people; we move around a lot, and this is why I said it. If we leave it there, who is going to look after it? It is very dangerous, because we are come-and-go people: we are not thinking, 'Where are we going to?' The Traditional Credit Union is going to be there, all around the Territory. They have to have a look properly at who they are, where their children come from.

**Ms McMillan**—What Henry is saying is that when the Traditional Credit Union goes into a new area, it must be the idea and with the support of the local Aboriginal traditional owners, not the administrators who say, 'Hey, it's a good idea to have TCU,' but the traditional people who live there all the time.

**Mr Gaykamanu**—All the time. And that is why they want to look at it properly, because they own that Traditional Credit Union that is going to be there, anywhere in the Territory. That is why we are looking at it properly, seriously. Otherwise it will be sitting there for maybe six months, seven months, one year and then close down. And that would be more problems there. Where are we going to take more steps then? That is why I think—I really confirm—that we are going to set up this little credit union properly, make sure we do not break that—we have to have a home.

**Ms McMillan**—Yes, it is part of our educational strategies, before we move in, that we do a full investigation to be sure that everyone really does want and would support a credit union.

**Mr Gaykamanu**—In the last couple of years, going up the road there I said, 'The Traditional Credit Union is growing big now, and I think that we can maintain everybody—working together, we have a lovely job.' That is what I said, a couple of years ago. Thanks.

**CHAIRMAN**—Thank you. What, if any, support have you had from the national credit union service organisation—CUSCAL, I think it is—in either the initial establishment of TCU or your aims of further developing the services you provide?

**Ms McMillan**—We are a member of CUSCAL, but they are not our bureau—CreditLink is. But we are a member of CUSCAL and they give us good advice on systems more than anything else.

**CHAIRMAN**—They have not played much of an active role in your development?

**Ms McMillan**—No. They support us, in words.

**CHAIRMAN**—You also mentioned that meeting the requirements of the Financial Services Reform Act would cost you \$200,000.

**Ms McMillan**—Yes.

**CHAIRMAN**—Could you elaborate on what the elements of that cost are?

**Ms McMillan**—Yes, I have attached some documentation to show you. The Financial Services Reform Act has brought about a lot of changes in our documentation, to start with. Previously, for the sake of our members, we have kept all our product information very basic so that it is easy for them to read and understand, but with these FSRA requirements we have to have a two-page product disclosure statement on every product, we have to have a full product service. In other words, every time we sign on a new member we have to give them an inch thick of paperwork with all the regulatory requirements of using our services and the products, their rights of reply, the Privacy Act, code of conduct, and terms and conditions of use.

**CHAIRMAN**—Is that even if it is just for a basic deposit facility?

**Ms McMillan**—Yes, that is right. But we are not just talking about basic deposit facilities; we have to take the education of Aboriginal people further so that they know how to use modern products. That alone costs us a lot of money. The legal costs would probably be between \$30,000 and \$60,000 dollars to get the licence through. A requirement of FSR is that we have to have a full network system and that also has to be available in our remote branches. So we have to upgrade our networking system and we have to provide printers into every single branch because when a new member signs up we have to be able to guarantee that we have the latest updated documentation. It has to be live online to print off as required. That is going to cost us in the vicinity of \$40,000.

We have to upgrade the training of our staff, which is the major issue. Before, our staff just had to understand and advise on depositing and withdrawing, but now they have to have a full understanding of all our products and what they do. So we have to upgrade and give them a higher level of achievement in their training. To do that we have to upgrade the training course. We convert all nationally accredited training into a language and a product that is user-friendly for our Aboriginal staff who still have English as their third or, sometimes, fourth language. So that is another cost. We have to employ a new full-time remote training officer to incorporate that additional training. It does not take long to get to \$200,000-plus.

**CHAIRMAN**—In your written submission you said that the rural transaction centres should be better targeted and expedited. Can you enlarge on what you meant by that?

**Ms McMillan**—That was in the written submission, not in mine.

**CHAIRMAN**—Yes, it was in the written submission.

**Ms McMillan**—The rural transaction centre funding is great and everybody wants it, but I do not think enough communities are aware of it. It goes around by word of mouth. I think the major problem is the business management plan that needs to be done to go with the funding application. That is a mammoth task for a manager in a community who is already overworked and overtaxed. Sometimes they do not find the time or have the ability to get that one step further to take advantage of the funding. The rural transaction centre funding is a very slow process. From the initial inquiry to getting a branch up, I would say they probably have a lead time of at least 18 months or longer.

**CHAIRMAN**—What would be the role of rural transaction centres in the expansion of TCU services? Would you be looking, for instance, for the TCU to provide the physical facility which

TCU would then go in and rent? How do you see the two meshing together in terms of TCU's expansion?

**Ms McMillan**—The way it works now is very good. The funding is provided for the building plus the equipment. Our equipment alone, with a connection to either satellite or ISDN, costs in the vicinity of \$60,000 for every branch, so that is a lot.

**CHAIRMAN**—That can be provided through the RTC funding?

**Ms McMillan**—Yes, it is. We could not go there otherwise.

**CHAIRMAN**—Then, in effect, it is repaid by your paying rent or not?

**Ms McMillan**—Yes, it is repaid by our paying rent and then we pay rent to the council.

**CHAIRMAN**—Does that cover the repayments on the equipment and the physical facility?

**Ms McMillan**—I am not sure that councils have to repay the rural transaction centre funding. I thought they just had to show that they will receive an income from it in future.

**CHAIRMAN**—So it comes purely as a grant.

**Ms McMillan**—Yes.

**CHAIRMAN**—Apart from the TCU establishing its own branches, have you looked—I assume that perhaps you have not—at the partnership sort of model, along the lines of the Bendigo Bank and the Heritage Building Society, that is being promoted in Queensland, whereby there would be a partnership between the institution, in this case the TCU, and the local community, rather than the TCU setting up and running the whole facility? What would be the viability of that sort of partnership arrangement?

**Ms McMillan**—If the councils had the funding for that sort of thing there could be a partnership. The TCU is always looking for new partnerships. My understanding of the Bendigo Bank scheme is that they require the community to put forward a large amount of trust money. If you think about it, where does the trust money come from? It comes from a government source. How do communities get their funding? It is not from private enterprise. It is my understanding that everything they have comes from some sort of government grant, so the government would still be funding it one way or the other.

**CHAIRMAN**—Bendigo Bank and the Heritage Building Society raise money from funds put in as a form of investment by local people.

**Ms McMillan**—Yes.

**Senator WONG**—But the sorts of communities you are talking about, where currently you are not able to establish branches because RTC funding has not been able to be obtained for whatever administrative or other reasons, are hardly going to be able to enter into a Bendigo Bank type partnership, are they?



**CHAIRMAN**—That would be the issue.

**Ms McMillan**—No, they are certainly not. To go into new communities, the TCU require the council to do their banking with us. That gives us greater liquidity and, in turn, that liquidity goes towards providing loans for members et cetera and it is good working capital to monitor and maintain the service.

**CHAIRMAN**—Your written submission also refers to the fact that the TCU has relatively high fees.

**Ms McMillan**—Very high fees.

**CHAIRMAN**—How do they compare with the fees that a bank would charge for equivalent services? Can you give us an idea of whether they are double or 50 per cent more?

**Ms McMillan**—They are probably 500 per cent more. Our average fees for a member would probably be in the vicinity of \$40 a month.

**CHAIRMAN**—I assume that is a consequence of the additional costs of operating in remote areas—

**Ms McMillan**—Exactly.

**CHAIRMAN**—but is it also because you have, perhaps, a relatively low number of clients and therefore the costs of operation are spread over a small number of people?

**Ms McMillan**—No; we have about 10,000 members.

**CHAIRMAN**—So what are the factors that cause the higher fees? Is it just the costs of remote operation?

**Ms McMillan**—Yes, it is the remoteness. That is right. Everything about the TCU is expensive. Our wage costs are high; the submission stated that last year they were \$825,000 and this year, with new growth branches, they were \$1,029,000. Travel cost is a major item. We have to have permanent remote training staff to travel constantly to those communities to keep up the training. We probably spend \$100,000 a year on travelling and accommodation for remote and visiting staff. Because of the distance, our security risk is high and our insurance is high. They are the major factors.

**Senator MURRAY**—Are your financial statements publicly available?

**Ms McMillan**—Yes.

**Senator MURRAY**—Would you mind letting us have a copy? It would help us understand the viability if we could.

**Ms McMillan**—Certainly.

**CHAIRMAN**—You indicated that you had 28 staff in remote areas.

**Ms McMillan**—That is right.

**CHAIRMAN**—But you have eight vacancies. On a rough calculation, that is a 20 to 25 per cent vacancy level in terms of your full staff needs in those remote areas. That would indicate you are operating at something less than 80 per cent of your potential capacity in those areas. What are the difficulties in attracting staff to remote communities? Are the staff in these remote communities principally Indigenous people or is there a mixture of Indigenous and European origin?

**Ms McMillan**—No, we are 100 per cent Indigenous. We employ only Indigenous people in remote communities, unless we really get into a hole, and that rarely happens. The whole idea is to offer over-the-counter services with people that speak the same language and understand the situation for remote people.

**CHAIRMAN**—What are the difficulties in attracting staff?

**Ms McMillan**—The difficulty is not in attracting them, because a lot of people want to work, it is in maintaining the people. There are a lot of cultural pressures on people working for the TCU. Is that correct, Henry?

**Mr Gaykamanu**—Yes.

**Ms McMillan**—We have a supervisor and a teller and those two levels are very stable. The difficulty is with new trainees that we bring through. We spend a lot of money training them and then some pressures come along or their circumstances change, perhaps for family reasons or whatever, so we have to restart the training cycle all over again.

**CHAIRMAN**—Can I explore that? You say ‘cultural pressures’. Can you enlarge on that?

**Ms McMillan**—Henry, what cultural issues would you suggest that we could expand on?

**Mr Gaykamanu**—There could be a problem at ceremony time.

**Ms McMillan**—Yes, when there are deaths in the family.

**Mr Gaykamanu**—We had to clear up before a body came in. This is where you might give a person a break. We have one girl who had a funeral, so she will be working only for half a day—from morning to lunchtime. There are things like that.

**Ms McMillan**—The reasons why people leave are due to family pressure. Some families put too much pressure on the staff. If they are particularly young and they are not strong enough, they feel they cannot stand up to pressure from family to do the wrong thing, and rather than get into trouble they choose to leave.

**CHAIRMAN**—So there is pressure to indulge in potentially fraudulent activity?

**Ms McMillan**—It is potentially fraud, but it is not necessarily fraud. It could be just giving out information that they should not. We have a branch in a community and that community might have 10 or 20 outstations. Someone living in an outstation may want to get access to their money in town and they say, ‘Give my brother my money. He’s going to do my shopping.’ But we cannot do that because we do not have a signature. They find it difficult at times to understand that. They say, ‘You know it’s me on the phone telling you to give my brother the money. You know it’s my family. You know. Why aren’t you doing this?’ It does create pressure because we are on the other side saying, ‘You can’t do that. You can’t listen to them. You have to listen to us.’ It does work if they just give themselves time and the family gets the education. That is the beauty that community education brings with it as well: understanding that culture cannot come before the financial regulations.

**CHAIRMAN**—Mr Gardiner referred to the community training program that the Northern Territory government was involved with. How beneficial did you find that?

**Ms McMillan**—That was back in the early days before my time. It was beneficial but all these things need expanding on as new products come out. People need to be reminded of what they learnt before because given time they will try to forget what you told them. We have got more strict too. Regulations have become a lot harder than they used to be. We probably used to bend the rules to the maximum in the old days; now we cannot bend them at all. So there is a whole new world of finances out there.

**CHAIRMAN**—What is the TCU’s experience of the impact of book-up and the detrimental effect it has on financial management on the part of Indigenous people?

**Ms McMillan**—It is impossible for Indigenous people to balance a budget if they are booked-up. They are usually allowed to book up to the maximum of their income, so as soon as their funds come in they are gone straightaway. Another problem with the book-up system is that people hold their EFTPOS cards and take their money. Of course, they are not allowed to take all their money. If somebody has a debt with you, I believe that the law says you can take 10 per cent of their income to repay that debt, but they take 100 per cent. But worse than that, they try six times a day, every day of the week, to get the people’s money out of their accounts, so they are incurring fee charges that you would not believe.

**CHAIRMAN**—How widespread is the problem? Do you have some sense of what percentage of the Indigenous community are affected by book-up?

**Ms McMillan**—It is not so much in the communities. It could be people that live in communities and visit the towns and leave their cards in the town. That would be the main area. There is a little bit in some communities—not where TCU operates, but in other communities.

**CHAIRMAN**—So the problem is more in the major towns?

**Ms McMillan**—Yes. It is in the major towns—Darwin, Katherine and the Alice Springs region. Car dealers are one of the worst. People hand their cards over to car dealers to buy a new car. There is no record. Car dealers say that they have lost everyone’s cards—that someone has stolen everyone’s cards. We experience all sorts of shonkies. One of the beauties of TCU is that because we are small and really care for our members, when we notice that accounts are getting

used by certain bodies outside the community, we cancel the cards and advise the people that we have cancelled their cards, because it is misuse under our conditions.

**CHAIRMAN**—Are you aware whether any representations have been made to the Territory government in relation to consumer credit laws being amended?

**Ms McMillan**—Yes. We work with consumer affairs. All things are reported and acted upon.

**CHAIRMAN**—Is there any move to make book-up illegal or to restrict the amounts?

**Ms McMillan**—Neil might be able to answer that better than I can. There probably is. It is against the conditions of use of the card, so we can do something about it when we become aware of it.

**CHAIRMAN**—A related issue that was mentioned is the handing over of cards and PIN numbers. Is this done purely with vendors, shops and so on, or do people give their cards and card numbers to other individuals to use on their behalf as well?

**Ms McMillan**—Yes, that happens a lot.

**CHAIRMAN**—So that is also a problem?

**Ms McMillan**—It is a problem, but it is a controlled problem. Families give permission for their other family members to do shopping for them in Darwin. It is all right in the short term, but if the family happens to linger longer in Darwin they can do a lot of damage on their card. Once again, that is where we can step in. We educate our members that if they get into that situation they only have to ‘warm’ the card and once they get it back they can have it made open again.

**Senator MURRAY**—The issue of Internet banking is raised in your submission. Is that primarily targeted at business usage?

**Ms McMillan**—Yes, it is. That is so that we can encourage councils to use the TCU and be able to pay their wages and accounts through the Internet service. We had to be able to offer councils the same business service they are getting from other financial institutions.

**Senator MURRAY**—But there would be no restriction on ordinary customers, non-business customers, using it?

**Ms McMillan**—Certainly not, and a lot of them do. Aboriginal people adapt very well to technology, and we find that if they are in a working situation where they have the opportunity to use a computer with privacy—we do not encourage other people to assist them with their Internet banking and have access to their codes et cetera—they do very well with Internet banking.

**Senator MURRAY**—My own personal observation is that that is true. Near Esperance there is a training farm where a lot of Indigenous young people from mid-west and north of there go.

There is a computer room, and they are as active in there as any non-Indigenous children or young people would be.

**Ms McMillan**—It will be part of our school education system, when we get it started. We will teach children how to use Internet banking with their TCU accounts.

**Senator MURRAY**—What about telephone banking and that sort of thing?

**Ms McMillan**—Telephone banking is only new. We turned it on for our members on 14 July, and it is absolute bedlam at the moment getting everyone signed up and explaining to them how to use it. But they have been using it for quite a while with other financial institutions and they are adapting very well. It means that you can transfer funds to your budget or your Christmas club account out of your savings if you want to, so you can do your own savings as you require. If you run out of money you can transfer it back. I think the phone banking will form a very high part of our community education, because we can teach people to budget over the telephone so that they have instant manipulation of their funds.

**Senator MURRAY**—Do you find an intermediary process happening with telephone banking? Anecdotally, in the non-Indigenous community older people who have difficulty with it will use family members to do it for them. Is that happening in the Indigenous community?

**Ms McMillan**—No, I do not think so. It is too early for us to say that, but I do not see that at all with our TCU members. I have seen similar things happen in other communities, and we are quite aghast at it.

**Senator MURRAY**—In the non-Indigenous community a daughter who is in her 50s with a mother who is in her 80s will often do the telephone banking for her mother.

**Ms McMillan**—It is a similar sort of trust relationship. But I think a lot of our older members are getting very smart, actually, and they like to control their own money. The older women, in particular, are very good at saving their money and keeping it hidden, so to speak, from family members.

**Senator MURRAY**—So you would agree, as the previous witnesses indicated, that the more provision of technology the better. More access to computers, faster speeds available over the lines, satellite technology et cetera are all to your good.

**Ms McMillan**—That is right. That certainly would help with budgeting. It does not help with getting your money out—it does not help the cash flow—but it helps with the budgeting and the saving. There is a twofold problem: providing a service for people to have access to cash and one for saving.

**Senator WONG**—In terms of government assistance for the operation of the TCU, you have pointed to rural transaction centre funding which assists with infrastructure but is then subject to rental payments. You have had some assistance from ATSIC for your loans scheme—

**Ms McMillan**—That is a business loans scheme.

**Senator WONG**—So that is a bit separate?

**Ms McMillan**—That is a partnership. It is not really funding that they have given to TCU. It is actually funding provided for loans for Aboriginal people.

**Senator WONG**—So that is slightly different. In your submission you refer to what I assume is Commonwealth training assistance?

**Ms McMillan**—Yes. We get the same training assistance as any other employment area, with STEP funding and the NT government New Apprenticeships scheme—which are both excellent. They help to cover the costs of staff training requirements, but we have the additional cost of the travel. Nobody can compensate for that at the moment.

**Senator WONG**—Are there any other sources of Commonwealth funding that you currently receive?

**Ms McMillan**—We are about to get \$150,000 from the Department of Family and Community Services and we have received \$50,000 from the Northern Territory government for our pilot community education program.

**Senator WONG**—That is the one referred to in the background paper, is it—where you mention the ‘money story’, the ‘TCU story’ and ‘accounts and use of accounts’?

**Ms McMillan**—Yes.

**Senator WONG**—So that project has not commenced yet?

**Ms McMillan**—No.

**Senator WONG**—And the FaCS funding there is a direct grant just in relation to this pilot project, essentially on financial literacy, is it not?

**Ms McMillan**—That is right, yes.

**Senator WONG**—You do not get any other funding from FaCS?

**Ms McMillan**—No.

**Senator WONG**—Was it in your evidence or in the submission that you made the point about how much money potentially you might be saving Centrelink, given how much more cheques cost them to process?

**Ms McMillan**—I do not recall reading that anywhere, but I referred to—

**Senator WONG**—Maybe it is in Mr Westbury’s submission.

**Ms McMillan**—Yes. I think we save government departments a hell of a lot of money and we save the banks a lot of money as well. Another thing is that our community education program is of assistance to the other financial institutions because, in a community, TCU does not have 100 per cent of the business.

**Senator WONG**—So you are teaching other people's customers?

**Ms McMillan**—That is right.

**Senator WONG**—Can we turn first to rural transaction centres: how could that funding be structured better in terms of the TCU's needs, or could it be?

**Ms McMillan**—I do not know that it could be. I mean, you have to have certain guidelines, do you not? I feel that the building of rural transaction centres could be made quicker. Say if a community wanted a bank, there could be a module of a bank and a design of a demountable sort of building that could be just—'Okay, we send a bank to this community.' If they want a post office: 'Yes, okay, here is a module of a post office. We'll send that building out.' Every community has a draughtsman draw up a design for them, they are all different and it is all costly and time-consuming. I think that if someone—

**CHAIRMAN**—Sort of a standard facility?

**Ms McMillan**—came up with a standard facility idea, it would make sense to me, as a woman—I do not know about anybody else.

**Senator WONG**—How much input is there from Indigenous people and Indigenous organisations into the Rural Transaction Centre program?

**Ms McMillan**—Probably not enough. I know the territory field officer we have here in Darwin is very much into going around and talking to the Aboriginal people and gauging them and getting their support, but I think we are probably on our own there—the TCU—when we insist on having Aboriginal councils' and elders' input into our growth expansion.

**Senator WONG**—You mentioned also that, in terms of the viability of your branches, you do require the council to bank with you. Is that right?

**Ms McMillan**—Yes. In the past they have signed up with us and then they only operate certain of their accounts with us. We collect their rent, for example, so they set up a rent account. In other words they use TCU for their convenience, but not really for the majority of their funds. We have never really had the money to go out there and market. Once again, it is the old travel costs. It averages nearly \$1,000 to go and visit any one community.

**Senator WONG**—That requires you to develop the relationship with the council?

**Ms McMillan**—That is right, yes.

**Senator WONG**—There is no local government policy or position on this in the NT?

**Ms McMillan**—No, it would be good if there were. ‘You will bank with TCU!’

**Senator WONG**—Finally, this project which you refer to which is being assisted—partly funded—by FaCS and also the NT: is that with Westpac or is that just with you?

**Ms McMillan**—No, Westpac are very good and they have given us some advice and expanded on our strategy, but there has not been any suggestion of funding or anything.

**Senator WONG**—This financial literacy pilot project—is that the best thing to call it?

**Ms McMillan**—Yes.

**Senator WONG**—What is the timeframe around that?

**Ms McMillan**—We have funding for a year and the position was advertised this weekend. We hope to have someone on board within two months, but we are doing the groundwork before that person starts. It will have to hit the ground running.

**Senator WONG**—If that program were successful—

**Ms McMillan**—That program will be successful.

**Senator WONG**—I am sure it will be with the record of the TCU. Would it be your intention to see if that could be expanded into more communities?

**Ms McMillan**—Yes. It is only the start. We have to take the same education program to every community in their language group. So it is quite a big job. We do not think we can achieve any more than four communities in one year once we have piloted it and got it down to a fine art.

**Senator WONG**—Thank you.

**CHAIRMAN**—Apart from the deposit-taking facility and basic transaction facilities you are offering, I assume that you also provide loans to customers?

**Ms McMillan**—That is right. We have personal loans for members. The initial loan is for a maximum of \$5,000. The second or consequent loan is currently for a maximum of \$10,000, but that is geared around getting people into the habit of paying off small amounts and honouring their debts. It works extremely well. Mostly the loans are used for whitegoods, furniture and second-hand vehicles. So many people are up to their third loan because they pay them off really quickly because they want a better car or they can see something else—a DVD and all those other things that people take for granted.

**CHAIRMAN**—So you have not gone into housing or business loans?

**Ms McMillan**—No. In remote communities at the moment there is no need. You do not own your own home. I see that as something for the future.



**CHAIRMAN**—But you have customers other than in remote communities, I would assume?

**Ms McMillan**—Yes.

**CHAIRMAN**—You have customers in Darwin, Katherine and Alice Springs.

**Ms McMillan**—That is right. The more we get into business clients, the more the need may arise to consider a bigger business loan. ATSIIC have offered that perhaps they could off-lend for us, but I do not know. That is only talk. Feasibility studies have not been done to work out a way of doing it.

**CHAIRMAN**—Earlier I asked Mr Gardiner about Australia Post offices and giroPost facilities. He did not think that that facility was offered at post offices in the Territory. Do you have any knowledge of giroPost?

**Ms McMillan**—I do not believe that every community can operate a giroPost. With the TCU, we have BPay and that is included in our phone banking—for both over the counter and phone banking. Probably most banks have that same facility for remote people. For post offices, that is certainly the talk. I believe they are trying to do something similar in Wadeye. I heard talk of it.

**CHAIRMAN**—I understand that the TCU has been effective in working through this feast and famine cycle that is prevalent with families who are receiving welfare payments spending the payments as soon as they receive them and then being left without funds. Could you perhaps enlarge on what TCU has done in the education sense and what the result would be?

**Ms McMillan**—I cannot expand on that because it was more before my time, and that has passed.

**CHAIRMAN**—So that is not a current process?

**Ms McMillan**—No, we have to read through that. But there are a lot of people who have benefited from it and operate that way. It worked much better at the time when passbooks were used and they cashed their cheque; then they kept so much aside and put the rest in their bank account. That mentality has passed now and they need to be re-educated, remembering that there are a lot more people who have reached that maturity age since we first started.

**CHAIRMAN**—Is it the development of technology that has made that pass?

**Ms McMillan**—No, it is an education in the products. TCU has the products with the budgeting and the means by which people can set that up. We just have to expand on it. It is very simple to teach people how to budget. It is having the time to do it.

**CHAIRMAN**—If there are no further questions, I would like to thank you, Ms McMillan and Mr Gaykamanu, for appearing before the committee this morning. It has been very helpful for our inquiry.

[10.51 a.m.]

**WESTBURY, Mr Neil Donald (Private capacity)**

**CHAIRMAN**—Welcome. The committee prefers that all evidence be given in public, but if at any stage during your evidence you wish to give part of your evidence in private, you may request that of the committee and we will consider such a request to move into camera. I invite you to make your opening statement, at the conclusion of which we will move to questions.

**Mr Westbury**—Thank you for the opportunity to address the committee today. The statement I wish to make this morning relates to applied research work that I undertook whilst a visiting fellow at the Centre for Aboriginal Economic Policy Research at the Australian National University from 1999 to 2000, and also in relation to subsequent work that I undertook as general manager at Reconciliation Australia from late 2000 to 2002. During my period at the Australian National University, I was commissioned by the regional offices of ATSIC and Centrelink in Alice Springs to examine issues and prepare a written report and recommendations relating to Indigenous people's reliance on receiving their Centrelink entitlements by cheque in Central Australia and associated issues relating to the lack of access to financial and banking services in rural and remote areas. I was also subsequently requested by the Murdi Paaki ATSIC regional council to carry out research in north-west New South Wales regarding a proposal to establish a credit union under the auspices of the Barwon-Darling Alliance, which was in itself a cooperative venture involving a number of local government shires throughout the region and the ATSIC regional council there. I also examined related issues in the development of a scoping study for the Jawoyn Association and the Fred Hollows Foundation regarding the establishment of a comprehensive nutrition program in the east Katherine region of the Northern Territory.

Whilst at CAEPR, I also spent a period of time in both Canada and the United States to examine issues relating to indigenous people's access to banking and financial services in North America. That work included discussions with the major banks, including the Bank of Montreal, indigenous leaders, the Canadian Bankers Association, the World Association of Credit Unions, the US Treasury, the Community Development Financial Institutions Fund and Dr Michael Stegman from the University of Carolina who has done extensive work internationally on access to banking services for the poor. The results of this work are contained in various publications, which I note have been variously referred to in a number of submissions to the committee. I do not intend to address the statistical analysis contained in some of this work today, such as continued reliance on payments by cheque for Centrelink payments, as that research is now probably out of date, but I understand it has not been subject to any further detailed research since.

The key points I would like to make to the committee this morning are as follows. Firstly, the most recent demographic evidence confirms that the population of Indigenous Australians as a proportion of the total population in remote and rural areas is continuing to grow faster than the wider community. In the Northern Territory, for example, this is reflected in the youthful profile of the Indigenous population. At the community at Wadeye, for example, where we are currently engaged in a partnership with the Commonwealth government under the Indigenous Community

Coordination Pilot Program, out of a total population of 2,250 people 1,500 are under the age of 25.

In the Northern Territory, 72 per cent of our Indigenous population is resident on Aboriginal land, whilst 83 per cent of the wider population resides in major towns. This has important implications for the delivery of banking and financial services both now and into the future. The only organisation, as you have already heard, currently delivering face-to-face banking services in remote communities is the Traditional Credit Union and, despite its success in carefully expanding its services and responsibly meeting regulatory requirements, it clearly requires and deserves far greater government and corporate support. An important issue that is generally overlooked with respect to the successful operations of the TCU is this: just what are the opportunity cost savings generated by virtue of its operation? These are very easily underestimated, and they cut across a range of matters which I am happy to talk to further.

The policy rhetoric of economic development, self-reliance and reduced welfare dependence for Indigenous Australians runs hollow if individuals, and whole communities for that matter, are unable to maintain informed access to a basic bank account and develop the financial literacy skills required to manage and budget day-to-day finances. This also has a direct flow-on effect on the ability of communities to manage their organisations' financial affairs more generally. There is clear evidence from both North America and here in Australia that when the poor have access to banking services they can and will save. The success of the Traditional Credit Union's small loans program and anecdotal evidence now emerging from the recent family income maintenance pilots in Cape York confirm this. The fact that in North Australia Indigenous people are prepared to pay the TCU's high charges to ensure that they retain access to face-to-face services is further evidence of that fact.

Whilst the rural transactions program has played and continues to play a valuable role it has taken quite a long lead time for Indigenous communities to adapt to the requirements of the program. I believe the program should be further extended beyond its current sunset date of June 2004. It would directly benefit from appropriate Indigenous expertise being added to its advisory board.

There are obviously very clear differences in approach between the regulation of the financial services sector here and in the United States. The likelihood of Australia adopting the equivalent of the United States Community Reinvestment Act provisions which places the onus on the major banks to demonstrate they are servicing low income earners and supporting the provision of services to the unbanked and remote areas seems unlikely. However, there are opportunities for examining incentives which encourage the banks to support potential longer term customers in remote and rural areas. These include onlending to institutions such as the Traditional Credit Union to expand their capital loan and product base, and expanding direct funding of financial literacy programs. This is common practice in the US and is backed by incentives and recognition through the Treasury owned community development financial institutions fund.

On the wider front, we are only beginning to recognise, as the Canadians did over a decade ago, that the huge backlog in housing and infrastructure needs in Indigenous communities cannot be addressed by governments or Indigenous communities alone. Private capital has a critical role to play, and in the initial stages at least governments need to provide incentives in the form of government guarantees to kick start investment and create competition between the banks for the

Indigenous dollar. This will require a paradigm shift in Indigenous affairs more generally. Housing needs to be viewed as an asset, not just an entitlement. Aboriginal communities need to be viewed as part of their regional economy and we need to take on the lessons learnt elsewhere regarding innovative approaches to lending for housing and infrastructure on Aboriginal lands.

For their parts, the federal government and the banks need to adopt a more proactive leadership role in this area. As various bankers in Canada stated to me personally, it was not until the Prime Minister called them in and laid out the issues in the Indigenous context that they turned their minds to the issue. The subsequent development with First Nation representatives of an on reserve lending guide for bankers has led to the recognition of the importance of the long-term commercial opportunities that are now subsequently emerging in that country.

I will close my opening statement by drawing committee members' attention to the good work being undertaken by the Traditional Credit Union but also by Reconciliation Australia in drawing continued attention to these issues and engaging directly with the banks with a view to progressing these matters. I commend their submissions to the inquiry.

**CHAIRMAN**—Thank you. The briefing paper that you prepared for the workshop on improving banking and financial services for Indigenous Australians dealt with the transition from cheques to electronic based banking. What progress do you think is being made in that regard and is that change beneficial to Indigenous Australians?

**Mr Westbury**—One of the interesting comparisons I came to see was my examination of how they went about this process in the United States as compared to here. When the US decided to transfer from cheque to direct credit payments in 1999 they went about it in quite a different way from the way we did in that they built in very clear arrangements that protected the people who did not stand to benefit from such arrangements—were not in a position to access an account—or made sure that there were arrangements put in place where banks were provided with incentives to provide bank accounts to people who were in receipt of such benefits before they were transferred to electronic payments. They also invested very heavily in community education programs through the NGO sector to have people equipped and ready for the change and to also understand what the implications were. The view in the US was, consistent with their major reforms to the welfare system, that a key to decreasing dependence on welfare was that people need to have access to a bank account. We did not adopt the same approach here when it occurred in Australia, and that is reflected in some of the difficulties that have been brought in evidence to the committee—the continued difficulties in relation to book up matters, the significant costs that accrue to Centrelink in relation to continued payments by cheque as opposed to electronic payments and the lack of connection that is being made to the significant cost savings to government and others that are created by virtue of the operations of organisations like the TCU, which in turn are not reflected in the level of ongoing support for organisations such as TCU.

Since the work I did in 1999 there has been no further detailed analysis of or independent research into—it certainly has not been brought to my attention—what continuing proportion of people are reliant on cheque as opposed to electronic payments, although there is anecdotal evidence that there is a significant move and people are being encouraged to take up their services through EFTPOS. There are real issues—the evidence is already before the committee—as to the suitability of EFTPOS services where those changes are being made and

people are getting access to electronic payments but it is not being accompanied by effective financial literacy support and training, and the importance that is attached to people having access to the full range of banking services such as those available through organisations like the TCU is not being recognised.

I am not in a position to indicate to you what the actual figures are because they are not available to me. I am not aware whether that has come to you through evidence from the relevant agencies involved. Certainly, I indicate to you that where people are in a position to get access to electronic payments by electronic means, particularly in remote communities, that is best done in a way that people also have access to effective financial education and a range of other products that would normally be attached to normal banking services that are delivered.

**CHAIRMAN**—With regard to financial education, in that address you also referred to the need for a focus on the delivery of culturally informed financial literacy and budgeting skills. We heard earlier that the Northern Territory government and to some extent the TCU have been involved in education programs but they seem to be—we gained this impression this morning—past rather than current. What really needs to be done to raise the level of financial literacy of Indigenous communities, particularly those in remote areas? How can that best be delivered?

**Mr Westbury**—In the evidence that Bev McMillan just gave you, she did mention that there is a current program which we are negotiating with the TCU. The Commonwealth is substantially contributing—and the Northern Territory are as well—to a program in this area. Certainly it is the tip of the iceberg in terms of the level of need and support. I think there are some interesting results and anecdotal evidence emerging from the family income maintenance scheme in the Cape, which I understand involved a pretty significant investment by both government and the Westpac bank in that scheme. I understand the scheme is being independently evaluated by the Australian Institute of Family Studies at this moment, so it would be useful to look at the actual impact and the evaluation of the effectiveness of that scheme.

It is an area that is increasingly coming into focus in my discussions with the Commonwealth officials from the Department of Family and Community Services and other people associated with the work that is going on in the cape. I think there is growing recognition of the linkages in giving people the opportunity to improve their financial literacy and budgeting skills consistent with the welfare reforms that the government is seeking to pursue. There is some suggestion that the scheme that is being undertaken at the Cape might be further expanded into other areas. I think that would be a very welcome development, provided that the scheme is tailored to the particular needs of the communities in which it might apply because everywhere is different.

I believe there should be some opportunities whereby we look at ways in which there can be more ongoing support for these sorts of programs. One of the things that struck me in Canada was the way in which the private sector are playing a key role in this area. The banks are way out ahead in this area. The Canadian Bankers Association, with the joint support of all major banking institutions in Canada, fund an enormous financial literacy and training program right across Canada. They are engaging ex-bank managers, retired bank managers, and people with experience in the sector to come in and deliver the courses in various guises in both schools and communities. They have specific units that are designed to be delivered in first nation communities. That is a quite significant undertaking. They see that as a long-term investment,

even in those areas that they might not necessarily service now; they see them as customers in the future.

That has not been matched by anything here in Australia, although certainly the Westpac investment in the Cape is most commendable. But even there you are starting to see that Westpac's ability to sustain its involvement is such that it will not continue in the sense that the next stage will be that Cape York will be looking to establish its own credit union, because in effect what is sustainable in terms of ongoing services it sees at this particular point in time relates to an ongoing credit union facility. I think there is a range of ways in which this can be tackled. I do not think it should be just left to government. There are all sorts of ways in which the corporate world could be involved in this. These are things that are generally attractive to the philanthropic sector and others. It is just a question of how they are marketed and developed. I think government has a role in showing leadership and demonstrating that this is the way it would like to see people investing some of their corporate dollars.

The other interesting thing in the US Community Reinvestment Act provisions is that you will go into various 'thrifts' in the US, our credit union equivalents, and on the door you will have all the stickers from the major banks—the Bank of Tokyo-Mitsubishi, the Bank of America and what have you. You will find that, rather than the banks themselves setting up operations in areas where they do not believe it is sustainable or profitable for them to operate, they will provide funding, as meeting their credits under the Community Reinvestment Act, to these small organisations to provide financial literacy training. They will also on-lend funds to these institutions to assist them to provide loans at competitive rates. There is a range of ways in which the corporate and banking sectors in the US and in Canada for that matter are approaching these issues, which I think would bear examination here in Australia.

**CHAIRMAN**—In that sense do they almost act as brokers for the banks, an intermediary for the banks?

**Mr Westbury**—Banks will on-lend quite large amounts of capital at lower interest rates which credit unions then on-lend to their members. The credit unions make theirs dollars by virtue of the percentage difference. But also the major banks get credits under the Community Reinvestment Act, so if they then want to merge or take over another institution they will have enough credits and it is easier for them to get permission from the regulatory authorities to do so. If they do not have that number of credits, they have difficulties when they want to do those things. So there are two elements to the act which you are probably aware of: on one side they have to demonstrate that they are servicing low-income people by lending, and the other element measures how effectively they service people—what they call the 'unbanked'. So a dual measure is taken under the act's provisions, which is quite an interesting approach.

**CHAIRMAN**—Also on the budgeting issue, you referred to a trial in Alice Springs of weekly Centrelink payments. Could you enlarge on the nature of the trial and how it is progressing—what its advantages and disadvantages have been?

**Mr Westbury**—It was a recommendation that flowed out of the initial work we did in Alice Springs. A trial was set up which was funded by FaCS and supported by Westpac through the Tangentyere Council. I understand that the trial has just been evaluated and a report has been produced by Siobhan McDonnell at CAEPR. I have not seen the final report, so I am not in a

position to comment on it but I am sure Siobhan would make available to you a copy of the final assessment. From anecdotal evidence from visiting there, since the trial commenced people have indicated to me that they have positive views about the approach being taken. One of the difficulties is that Tangentyere are running those services at a very significant loss, as you are probably aware. They are a Westpac agency. A number of Aboriginal people are being directed to Tangentyere as an agency rather than using the major banks within the town of Alice Springs itself. But because of the level of servicing and support that is required for people coming in from the communities, and the whole issue of cards and all those things you have heard from other evidence before you, the actual costs for Tangentyere to maintain that service are well over what they get back through fees from the bank or what they raise through their clients. It is a double-edged issue. I think Tangentyere take the view that because the service is so critical and necessary for their people in these areas it is as critical that they fund it, and they offset it through funding from ATSIC and other grants.

**Senator WONG**—I want to go back to RTCs. You make some comments in your submission about the guidelines for RTCs not necessarily being appropriate for Indigenous communities. What changes would you see to the process of getting an RTC in place or the process of the advisory body et cetera or to the guidelines themselves?

**Mr Westbury**—I think we need to look at the realities associated with trying to deliver services in remote Aboriginal communities as being quite distinct. They may require different and more flexible approaches to the ways in which applications are assessed and encouraged. By that I mean that there may be ways by which the fund might encourage Aboriginal communities to group together to make applications. Clearly, in terms of economies of scale, in some cases it is just not practical or realistic to expect that a credit union operation is going to be viable in each individual major community. It may well be, by grouping together and putting a joint application in conjunction with the TCU for instance, that they have a better chance of establishing a viable entity.

Early on, because it was a national scheme, it was initially targeted to rural and remote communities and shires and others, who were obviously very quick to take up the scheme. The lead times in Aboriginal communities have been a lot longer. More thought needs to be given to designing the program around the realities associated with these communities. I think there has been a real issue, too, with the capacity of the department to service the program, particularly for people in remote areas. The people that they have engaged have done a great job but they are terribly overworked and they have had difficulty in being able to meet all the demands, particularly the complex requirements that need to be met to get business plans completed and approved.

It would also benefit from having some specific Indigenous expertise on its advisory board; that has never been the case. I recommended that they look at that issue back in 1999 but I understand that still has not changed. In the context of the experience that has now been gained with that program and the positive way it is seen around the place, there is a real argument not only for the program to be extended—Aboriginal people are only just starting to take it up—but also to look at whether there could be incentives for establishing these services in Aboriginal communities in ways that are not currently available.

**Senator WONG**—When is the current funding to?

**Mr Westbury**—It is June next year. As you may recall, the funds initially came out of the initial sale of Telstra. I think it has been a very valuable and effective program, but it is very under-recognised in some ways. For instance, the rural transaction centre they have built at Wadeye have not only a traditional credit union branch but also a bakery, a butchery and a range of business opportunities that are now falling off that rural transaction centre and that are having economic spin-offs for that whole community. These are some of the wider benefits that we are not necessary immediately aware of just by looking at the program in isolation.

**Senator WONG**—I think you said that the figures in the report that you tabled at the Indigenous consumer issues workshop—the statistics regarding cheque payments by Centrelink—are no longer up-to-date because they are from 1999. There are no current figures that you are able to access?

**Mr Westbury**—Not that I am aware of. It caused some consternation at the time I got those figures; I do not know that they are happy about wanting to reissue them again. I understand anecdotally that there has been some movement in terms of a reduction in the number of cheque payments but I am not in a position to gauge that. The other key issue is that it is not just a question of the number of cheque payments; it is the costs associated with those cheques. The total number of customers the TCU currently services and the real cost of government charges are very significant over time. I alluded to that in my opening remarks on opportunity costs. But how do you measure things like people being able to manage their budget week-to-week so they are not in the feast or famine cycle, or people being able to purchase whitegoods such as washing machines, and the effect that has on scabies, or being able to store your food in a refrigerator, or being able to access and have reasonable services like anyone else? They are a huge benefit to people's day-to-day lives and wellbeing in ways that, if they are not available—

**Senator WONG**—They could potentially cost the government more money, yes.

**Mr Westbury**—Yes, very much so, and I think in the longer term we have to look down the track. As people get more training, like those at the TCU with their training, they might move through an organisation but they are moving into the community and those skills that they gain are not lost. It seems to me that in the longer term ultimately when we are really looking to ways in which you can foster small business opportunities and other areas, as we move into more commercial opportunities for on-lending and funding, then these initial steps that have been taken are absolutely critical. If they are not there, then how can you even talk about these other opportunities? It is a nonsense, in my view.

**Senator MURRAY**—Going back to the overseas experience, there are two things I want to test you on. One is your assumption that the imposition of community service obligations of that kind are unlikely here. Both the government and the alternative government have shown a past preparedness to introduce community service obligations, so I would not be as certain as you seem to be. Is that based on knowledge or is it your view?

**Mr Westbury**—I suppose it is my view that I have gained through trying to work with this issue over recent years and the clear general resistance there is to the notion of enforced or regulatory arrangements in this area. I am not saying I am opposed to it, but it seems to me that if the banks can be encouraged to take the initiative themselves in the various ways that incentives are provided, by the way they do the sorts of things that I outlined are already



occurring in other jurisdictions, then that would be a good way to go. But the question of whether governments in the future would be prepared to move down that course I suppose is a moot point at this time.

**Senator MURRAY**—The second question really follows from the first. My understanding of your remarks is that in the United States and Canada the banks were not keen on it, but once made to do it became keen on it because they believed there was a longer term economic return, even though in the short term there was a cost. From discussions we have had with banks there has been no indication, to me at least, that there is any of that sort of thinking at all. Why would you think you could replicate a shorter term cost and the longer term economic return for financial institutions here, if they were made to go for it? One of the ways of course to encourage the government of the day to put in a CSO would be if there was a recognition or acceptance that in fact there would be a longer term economic return.

**Mr Westbury**—I will give you two examples. I alluded to one before concerning the issue of opportunity costs. We have a growing and expanding Indigenous population with a youthful profile. I will take one community, the Wadeye, where we are working at the moment. We need to build 160 houses tomorrow just to meet the existing housing need. We have a population that is expanding in such a way that we have a train coming at us in terms of the level of need that is down the track. Unless we are in a position to look at ways in which we can be innovative in providing capital infrastructure and future housing arrangements, we are not going to be able to meet those needs, and we will be in a position where, in view of the lack of any banking services and people's ability to budget and care for themselves in the normal way, we are going to create enormous opportunity costs for us down the road. Governments cannot do these things on their own. The Canadians and the US have discovered that and they are looking to the private sector to play a role and they have looked at innovative ways they can do that. I think the opportunity cost issue is a very significant one, even when you are talking about one community which is a microcosm of issues right across Northern Australia and in other jurisdictions as well. They are opportunity costs that will come to government more than anyone else, not just in the economic costs in future budget outlays but also in social cohesion. That is a real issue.

The other question is: what are the economic opportunities for the banks? For example, 44 per cent of the Northern Territory is already owned by Aboriginal people under the Aboriginal land rights act. They own 80 per cent or more of the coastline. Generally now when you see major project proposals for future developments, a lot of them are going to be on Aboriginal land. A heads of agreement has been signed for Woodside and Alcan to run a gas pipeline across Aboriginal land from Wadeye to Gove. There are issues relating to the expansion of Alcan's Macarthur River Mine. The railway, for instance, runs across Aboriginal lands. They have negotiated 99-year leases where equity payments are being made in that project.

Increasingly, Aboriginal people are going to become players in the economic area, not just in looking for equity in these sorts of projects but also by virtue of the mining royalty equivalents they get paid under various mining agreements. Significant opportunities are emerging there for financiers and bankers. At the moment it is a question of which bank is going to get ahead of the pack and take up those opportunities. I see no great difference between that and what the Bank of Montreal did in Canada. They started from a position of having about \$200 million in aboriginal business 10 years ago and they now have \$1 billion in that business. It is a question of who is going to get out there and recognise the opportunities and take them up. You are seeing

native title agreements and a range of things across the country where opportunities are emerging. It is a question of how people respond to, and make use of, those opportunities. I think there is an economic argument there. The banks in Canada recognised that it was not a quick buck and that they needed to make an investment.

**Senator MURRAY**—But only once they were made to.

**Mr Westbury**—I do not know whether they were made to in Canada. They were certainly encouraged to take that course. I think a couple of bankers had the vision to get out in front.

**Senator WONG**—But no CSO was imposed in Canada.

**Mr Westbury**—There was no CSO.

**Senator WONG**—There was in America.

**Mr Westbury**—There was in the US, but in Canada it was more a vision that came from the banks themselves. That is why in a sense I draw on that heavily here. That is why we brought a couple of their people out here last year to address bankers and to talk about their experience in this area—bankers talking to bankers. I think the message is gradually filtering through about the opportunities here, but we are talking about major institutions and it is going to take time for the message to filter through and for people to start to take those opportunities.

**Senator WONG**—How was the CSO actually constructed in the US?

**Mr Westbury**—Through a congressional act. It is called the Community Reinvestment Act.

**Senator WONG**—What was the nature of the obligation imposed? Was it reasonably prescriptive?

**Mr Westbury**—Yes. I do not have the full details here, but there are two main elements to the act. It applies only to the major banks; it does not apply to credit unions and thrifts. Firstly, banks have to demonstrate that they are lending to low- and middle-income earners, to people of various income groups. They have to demonstrate that their lending practices extend to the whole community and particularly target people in the low- and middle-income earning groups. That is the lending measure. Secondly, there is a measure of servicing: are you servicing people without banks and rural and remote areas? What is your geographical coverage? Who are you servicing and how many customers? Various measures have been put in place under the act for the regulatory authorities to measure those aspects.

**Senator WONG**—So those are the principles within the act of congress.

**Mr Westbury**—Yes.

**Senator WONG**—Then a regulatory authority assesses the bank's performance against them. Presumably there is some compliance mechanism if they fail to meet them.

**Mr Westbury**—Exactly.

**Senator WONG**—How heavy-handed is the compliance mechanism?

**Mr Westbury**—The compliance measures relate more to how the banks have performed when they want to merge with other banks or move into different areas of business. Their CRA rating comes into play then. But also there is a complaints mechanism by which people can object to mergers and changes under the provisions of the act. I quoted an example of a case in Arizona in some of the research that I did.

**Senator WONG**—Yes. I had a look at that.

**Mr Westbury**—That was a clear case in point.

**Senator WONG**—That was the Citibank proposal to merge with Norwest.

**Mr Westbury**—Yes, it was in Arizona. I just cannot remember where. One of the people who was involved in that whole area now works on and runs the native American element of the community development financial institutions fund in the US Treasury in Washington. He was the person who provided me with the data and material about that particular episode.

**Senator WONG**—I have one final question on the issue that we were discussing before when you made the point about opportunity costs and the Traditional Credit Union's provision of services at some significant cost to their members because of the nature of the services. I accept what you are saying about opportunity costs. They are very hard to define. How you define the cost of somebody getting a washing machine? How can you calculate that? But a pretty obvious cost saving is the one that you mention in your report, which is what it costs Centrelink to issue cheques as opposed to EFT. As for the cost saving, you have said—and this is based on 1999 figures—that it is about half a million dollars over four years. I think that would be significantly higher now and I suppose the cost saving continues.

**Mr Westbury**—It does, and my estimates were very conservative. After doing that research, I calculated the cost per cheque at 65c. Other people in Centrelink indicated it was more like 85c or 90c a cheque.

**Senator WONG**—Are there any figures available?

**Mr Westbury**—Not that I am aware of, no. I got those figures from Centrelink. They gave me an approximate cost, but what they did not fully assess of course is the cost associated with people losing cheques, coming in and having them reissued. That creates all sorts of difficulties—and still does, as I understand it—for Centrelink.

**Senator WONG**—You said you calculated 65c, and some Centrelink people have indicated to you that it could be significantly higher at 85c to 90c.

**Mr Westbury**—Certainly when the US did away with their system, they calculated an appreciably higher cost per cheque for them in the cost savings that they were going to reap by virtue of moving to this approach.

**Senator WONG**—What was the cost saving that they saw per recipient?

**Mr Westbury**—I think their costs were more up in the region that I just mentioned to you—85c to 90c.

**Senator WONG**—As opposed to 2c. What was the amount?

**Mr Westbury**—As opposed to 2c per electronic transfer.

**CHAIRMAN**—I am aware there have been some suggestions that the American system has been subject to what has been alleged to be blackmail in terms of attitudes to the banks. Are you aware of those criticisms of the scheme?

**Mr Westbury**—I was aware, when I was in the US talking to a number of people, of criticisms of the scheme, although generally my discussions with people were that, whilst there was significant criticism from the sector of the scheme, there was also a view that, as Senator Murray has expressed, people at least knew where they stood and that once they know what the rules are then they can work with them. Certainly the work that was done in measuring the impact of the act—and I quote some of those figures in the work that we did for the conference that Senator Wong referred to—showed there were discernible increases in on-lending funds to low- and middle-income earners as a result of those provisions and also, importantly, significant on-lending and support in financial literacy and training and other provisions for people in remote and rural areas and for the poor in cities and rural areas. Congress were recently revisiting those measures. They engaged Dr Michael Stegman, whom I referred to earlier, to actually look at ways in which they could improve and tighten the measures in relation to the servicing element of the Community Reinvestment Act, because it was not seem to be very efficient. He was making recommendations to Congress about those matters last year. I am not aware of the fate of those arrangements at this point in time.

**CHAIRMAN**—You refer to book-up being used unscrupulously. How widespread is the unscrupulous use of book-up as distinct from the perhaps unwise use of it?

**Mr Westbury**—It is a difficult matter to judge. My evidence for the unscrupulous use arose from work that was done by the Ombudsman's office some years ago and evidence tendered by Tangentyere Association in Alice Springs, who have had long involvement in looking at this issue. It also comes from my own experience of working for many years in remote communities and travelling to pastoral leases, where it was quite evident the book-up system was quite often abused. By the same token, Aboriginal people in many instances have become very used to the book-up system and rely on it very heavily. It is not just a matter of removing the system; it is characteristic of the underlying lack of access to services that we are addressing here today.

I understand the ACCC did try to bring a case to bear against a proprietor in Central Australia recently in relation to these sorts of matters. But they had difficulty in being able to compile evidence and having witnesses who were prepared to appear. One of the difficulties, because in many cases these are closed communities and people living there are relying on one shop and one store owner or station manager, is having people who are prepared to go out on a limb and give evidence that is sometimes really not in their best interests nor in the best interests of other community members in these areas. By the same token, there are areas where people are as honest as the day is long and who provide a critically important service to people.

The ACCC tried to tackle this through their store charter arrangements in having a code of practice whereby people signed up to certain ethical practices in this regard. I do not think that has been terribly successful because I think people who signed up to it are people who were ethical anyway; it is the others who are of concern. Really, the long-term solution is vigilance on the part of the regulators and getting a test case where they can send a clear message to people about unscrupulous behaviour in this area. The only other long-term solutions are people improving their own financial literacy and skills in budgeting and looking at innovative ways that people can access the sorts of services we are talking about.

**CHAIRMAN**—Would it be feasible for, and are there any moves within, the Territory government to amend their consumer credit legislation to limit the percentage of a person's income that can be allocated to book-up or something along those lines?

**Mr Westbury**—These are matters that I understand our consumer people have been talking about with the ACCC and were the subject of further discussions at a conference in Alice Springs recently. There has certainly been some focus on unscrupulous dealings by car dealers in the used-car area and there have been some changes there. They have also been amendments made in relation to booking down for grog under the licensing legislation, where that is being outlawed. So there are provisions in train to deal with those issues. In looking at how you might limit credit to a certain amount of money, I think that is probably more difficult. You will find that some people are quite adept at the scheme and might have book-up arrangements at three or four stores across the region. So it is not just a matter of people being a position where they are being exploited. Sometimes people are quite aware of and use and manipulate the scheme to their own benefit, which is fair enough. I say that as a note of caution when looking at amendments in this area.

**CHAIRMAN**—We do not have any further issues to raise, so on behalf of the committee, Mr Westbury, thank you very much for your evidence this morning to assist our inquiry.

**Committee adjourned at 11.40 a.m.**