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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**

TUESDAY, 22 JULY 2003

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## JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Tuesday, 22 July 2003

**Members:** Senator Chapman (*Chairman*), 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 10.10 a.m.**

**CHAIRMAN**—I declare open this public hearing in Alice Springs, where we continue our public hearings into the level of banking and financial services available to Australians living in rural, regional and remote areas. Yesterday we were in Darwin and Daly River taking evidence. We want to express our gratitude to all those that are assisting the committee with our inquiry.

I reinforce for the record that all witnesses appearing before this committee are protected by parliamentary privilege with respect to the evidence they give. 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 decides otherwise, this is a public hearing and as such all members of the public are welcome to attend.

[10.11 a.m.]

**ACFIELD, Mr Paul John, Human Resources Manager, Tangentyere Council Inc.**

**BIRCH, Mrs Leanne, Senior Finance Officer, Reconciliations, Tangentyere Council Inc.**

**FIELDING, Ms Rochelle Louise, Senior Finance Officer, Tangentyere Council Inc.**

**McDONALD, Mr Patrick James, Finance Manager, Tangentyere Council Inc.**

**NIGHTINGALE, Mrs Tracie Leigh, Senior Finance Officer, Bank Agency, Tangentyere Council Inc.**

**SHACKLADY, Mr Leigh, Financial Counsellor, Tangentyere Council Inc.**

**CHAIRMAN**—I now welcome representatives of the Tangentyere Council to the hearing. As I said earlier, this is a public hearing and therefore the committee prefers that all evidence be given in public, but if at any stage of the proceedings you want to give some of your evidence in private you may request that of the committee and we would consider such a request to move into camera. I now invite you to make an opening statement, at the conclusion of which I am sure the committee members will have questions.

**Mr McDonald**—I would like to thank committee members for coming to Tangentyere Council this morning to give us the opportunity to explain who we are, what we do and what we are planning for the future. By way of introduction, Tangentyere Council is a grant funded resource agency that is controlled by the 18 town camp housing associations of Alice Springs. We have provided financial services to town campers for over 15 years through our Westpac bank agency, which holds accounts for 888 people.

In addition to cashing cheques and providing withdrawals, we have an ATM provided free of charge by Westpac and operate a food voucher system, which is the Aboriginal community's response to the feast and famine cycle experienced by welfare recipients who eat well for the first few days after receiving their payment but go hungry for the rest of the fortnight. People can use their vouchers at a local supermarket that they can travel to free of charge on one of two Tangentyere Council buses. The buses run continually throughout the day between the town camps, Tangentyere Council, the supermarket and, when needed, the hospital. Because the supermarket enforces a no-grog rule on the use of food vouchers, the system also helps families cope with alcoholism.

The cost of providing these services has been estimated at \$168,000 per annum, \$95,000 of which Tangentyere Council receives no funding for. This translates to an average cost of \$190 per annum to service a customer. Factors contributing to the agency's high operating costs are: the problem of identifying clients, many of whom sign with a cross; the difficulties faced by many of our clients in coming to terms with electronic banking, such as forgetting PINs and losing keycards; and the fact that the agency does not have online access to Westpac. The last factor means that our staff must draw up a list of customers they expect to see on the following

day and fax this list to the Westpac branch in the Todd Mall. Westpac staff then fax back the list the next morning with details of each customer's deposits and balances. This list must be checked before serving any customer, and if a customer arrives unexpectedly Westpac must be contacted by telephone.

This method of operation is time consuming for Westpac staff also, who must check their list of Tangentyere clients before serving Aboriginal customers to ensure that people do not double-dip by making withdrawals at both Tangentyere and Westpac in the same day. However, there is hope for decreasing our service delivery costs, as Westpac is helping us to find a way to provide over-the-counter services electronically. Although the method of operation is time consuming and awkward, the fact that we have a very good working relationship with Westpac in town means that for the most part it works pretty smoothly.

Tangentyere Council has been prepared to subsidise the operation of the bank agency to such a heavy extent for so long because there is a vital need to provide Aboriginal people in the region with culturally appropriate services in a welcoming environment. With this in mind, we have extended the range of services offered on our site over the last five years to the point where we now refer to ourselves as a one-stop shop, with a Centrelink office, a financial counsellor, a housing management office and a Job Network member called Tangentyere Job Shop. Having all these services in one place saves our clients from the stress and expense of being sent from one side of town to the other and back again when arranging their affairs. Having the Centrelink office on site is particularly useful for identifying people wanting to use our bank agency.

In a sense, we are operating an unfunded rural transactions centre, with our clients being culturally if not geographically remote from mainstream services. We are, however, grateful for funding of \$95,000 under the Regional Solutions program to redevelop our bank agency. Recently, Tangentyere Council has been used to trial Centrelink's shift from cheques to electronic payment of entitlements and the trial of weekly payments for certain classes of benefit recipient. In helping with the shift to electronic banking, our Aboriginal bank liaison officers—employed using funds provided by the Department of Family and Community Services—opened bank accounts for 740 people, 65 per cent of whom now use keycards.

We are proud of this achievement because electronic banking has the potential to greatly benefit Aboriginal people in Central Australia, who often travel long distances for medical, legal, cultural and social reasons, and can become stranded without access to their Centrelink cheque, which is sent to their home address. Such dislocation places considerable stress on town camp communities in Alice Springs and often leads to social behaviour problems which impact upon the wider Alice Springs community. However, while electronic can significantly reduce the suffering that results from people being stranded without access to their Centrelink payment, we believe that the introduction of weekly payments will be of significant importance to the maintenance of living standards in communities that do not have access to culturally appropriate financial services, such as our food voucher system, which are designed to assist people in making their money last throughout a fortnight.

Ultimately, what is needed in the region is the provision of financial services through a network of rural transaction centres that are electronically linked to ensure that people's money is as mobile as they are. Under a hub and spokes model, RTCs located in larger communities could serve smaller surrounding communities, and a central RTC might be located in Alice

Springs with the support of a major financial services provider. In this way, a consistent range of financial services and training in financial literacy could be provided throughout the region. It is our intention to work with remote communities, ATSIC and service providers to achieve this.

**CHAIRMAN**—Thank you. Do any of your colleagues want to add to the opening statement, or will we move to questions?

**Mr McDonald**—We could move to questions.

**CHAIRMAN**—I have a question in relation to the book-up system. Has that changed to any degree since the introduction of the keycard and electronic banking, as distinct from the old cheque system? If so, has it changed in a beneficial way or a detrimental way?

**Mr McDonald**—Our food voucher system has been operating for many years—probably 15 years. It is a system which our executive, who are members of the town camp housing associations, asked us to put in place for them, to help them with the feast and famine cycle. Traditionally it looked very much like a normal book-up system. People would run out of money, come to Tangentyere Council to our bank agency and ask for a food voucher to get them through the fortnight. When their next cheque came in, we would recover our money at that point. But we had limits on the value of food vouchers that people could get in a fortnight, to ensure that people always had some cash left within each fortnight and could not build up an ever increasing debt. The limit was \$200 per fortnight that people could get in food vouchers.

When Centrelink announced its intention to move away from cheque payments to electronic deposits into bank accounts, we were worried that our food voucher system would become unworkable if people had access to keycards. Because they would not have a cheque coming to Tangentyere Council, we would have no means of knowing that we would see them again to collect the debt on the food voucher.

Centrelink were able to help us use the Centrepay system to set up a new food voucher system where, instead of people going into debt each fortnight and repaying that out of a cheque, they would have an amount of their entitlement paid into a trust account maintained by Tangentyere Council. When they want a food voucher, they come to a bank agency and draw down from their account. So people are now using their own money to get a food voucher. People are ahead not behind. Because the old system was well managed in a sense, it would not seem very different to our clients at all.

**CHAIRMAN**—So you have been able to maintain the food voucher system?

**Mr McDonald**—Yes.

**CHAIRMAN**—I read in your submission that, under the electronic banking system, just under half the clients have gone onto the food voucher system. Is that right?

**Mr McDonald**—Yes.

**CHAIRMAN**—Is that a lower or higher proportion than that using the food voucher system before electronic banking came in?



**Mr McDonald**—The value of the food vouchers that are issued has probably decreased.

**CHAIRMAN**—That is the value; what about the number of people using the system?

**Mr McDonald**—The number of people using the system has probably decreased as well. When we sign up people for food vouchers now, obviously we have to sign them up for Centrepay. We run through, in a sense, a static budgeting process. We sit down with people and find out how much money they have coming in per fortnight, what entitlements they have and what amounts are coming out of their entitlements for other things before they receive it, such as rent or the repayment of bills. Then we ask them what things they will need cash for during a fortnight. Basically we work our way down to the point where we determine what income they have left which can be put towards food vouchers. We ask them how much of that they would like to go towards food vouchers.

In the past, people would run out of money, come in and ask for a food voucher and they would tend to ask for the greatest value food voucher that they could get; whereas now they sit down, find out how much money they are getting and, often for the first time, they find out that deductions are coming out of their Centrelink entitlement which they did not know about—maybe rent for a community that they have not been living in for a while. In a sense, we have worked backwards to find out what people can afford to use on food vouchers. The result of that process is that most people are using food vouchers less than they would have done previously.

**Mrs Nightingale**—Instead of booking up \$200, they normally only book up \$100.

**CHAIRMAN**—So they are using food vouchers of lesser value. Have you attempted to find out the reasons that fewer people are using food vouchers?

**Mrs Nightingale**—I think a lot of it is that, once they get a keycard, they tend to move on. They do not have to come back to the bank. I find that a lot of people sign up for food vouchers, get their keycard and then wander out bush and forget they have food vouchers in the system. That happens sometimes.

**CHAIRMAN**—Have you noticed any detrimental effect on their welfare as a consequence of that—returning to the feast and famine cycle?

**Mr McDonald**—It is not obvious to us. It is hard to assess. I could not say definitively. There are other factors at play in dealing with the feast and famine cycle, and the weekly payments trial is one of those. In a sense it is very similar to the food voucher system in that it is a way of receiving your income in smaller amounts more frequently throughout the fortnight. I think FaCS concluded that the weekly payment trial had been successful in dealing with the feast and famine cycle.

**CHAIRMAN**—Can you expand on the financial literacy program that you are adopting? Could that be adapted for Indigenous communities in other areas of remote Australia?

**Mr McDonald**—Financial literacy training has operated at quite a basic level, but necessarily so. Training was conducted by four bank liaison officers whom we employed using money from the Department of Family and Community Services. They were Aboriginal people who were

employed because they had language skills. The first task for the bank liaison officers was to help people sign on to bank accounts, open bank accounts, to ensure that they were able to receive their entitlements, with the end of cheque payments. In the process of doing that, we found that we had to explain to people how bank accounts worked and why they were needed. We would also explain to people how ATMs and keycards worked, and the benefits, and we would give them the opportunity to order one if they wanted to use one. We explained to them how they could cope with losing keycards and reordering new ones, the importance of not giving out your PIN and those sorts of things. We also explained how the new food voucher system was going to work and what it would mean. We had picture based booklets prepared to help people through that process, to explain it to them. Also we gave people training in using the ATM.

We had a static budgeting process that we ran through with everybody that we signed on to our new food voucher system, which I ran through before. We would look at all the money that they were getting, what was coming out, what they needed cash for and then what was left for food vouchers. That was very valuable for people because a lot of people found out for the first time exactly how much money they were getting or were entitled to and often that money was coming out of their payment that they had never realised. We did not get to the point where we were providing people directly with budgeting skills, such as numeracy skills, so that they could sit down with a calculator and rejig their own budget every fortnight. That level of training has not been started. I think that would be a lot more difficult.

**CHAIRMAN**—Has that been contemplated or is it beyond your scope?

**Mr McDonald**—We would need assistance with it and we would need funding to help. It would be a bigger task. I think we would need to get some outside help to do that. That kind of training requires repeated exposure, so then there is the difficulty of making regular contact with people. People who come to our bank agency generally have a number of things that they need to get done. They have pressing issues which they need to leave for, they have taxis waiting for them or they come in on our bus service and they need to catch the next bus out. We endeavour to sit down with people and get everything done, as much as we can, in one hit. Ongoing training and repeated exposure would probably require us to go out to town camps to trace people. It would be a much bigger job.

I think it was accepted by everybody who was involved in the bank pilot project—Centrelink, FaCS, us, Westpac and ATSIC—that an important starting point for financial literacy is simply explaining to people what they are entitled to, what payments they receive and what they mean, and what financial services are available and how they work. I think there is a lot of groundwork to be done before we can give people a list of sums and time how long it takes them to get through them.

**CHAIRMAN**—Has the bank been involved in any of this training?

**Mr McDonald**—Our bank agency?

**CHAIRMAN**—Has Westpac provided any resources?

**Mr McDonald**—Westpac provided us with an automatic teller machine free of charge. That allowed us to take people over into the bank agency—we also ran through a picture book to

explain the basic process—and show them hands-on how to use an ATM. That was invaluable. Centrelink gave us some money to put together a training package and train the bank liaison officers.

**CHAIRMAN**—You mentioned that Westpac are providing this ATM free of charge. Is that still the case?

**Mr McDonald**—Yes, that is still the case.

**CHAIRMAN**—I understand that it was also fee free. Is that still the case?

**Mr McDonald**—The machine was provided free of charge and we have not paid any transaction based fees.

**CHAIRMAN**—Is there any guarantee as to how long that fee free operation will continue into the future?

**Mr McDonald**—The fee free period was initially set for a 12-month period, but the 12 months have long gone and there has been no suggestion that we start paying fees.

**Senator MURRAY**—How was the figure of \$192 per person that you came up with calculated?

**Mr McDonald**—That was calculated by simply dividing our estimated costs per annum for running the bank agency by the number of account holders which we had, which was 888. So we were looking at costs of \$168,000. That is mainly being spent on salary costs. When that estimate was done there would have been one supervisor, two full-time tellers and one part-time person as well.

**Senator MURRAY**—Are there economies of scale in terms of operating a bank agency with these other services that are provided? I presume you share premises and so on.

**Mr McDonald**—The bank agency is on-site out the front—we can go and have a look at it a little later—and, obviously, we provide withdrawals and cash-in cheques. The ATM is in the bank agency as well. We also process food vouchers through the bank agency.

**Senator MURRAY**—So it is not part of a building in which other services are provided such as Centrelink and the like?

**Mr McDonald**—No, it is separate. It is next door to a Centrelink office, which makes life much easier for opening accounts and identifying clients, but it is physically separate.

**Senator MURRAY**—Are the lease costs and building costs built into that figure?

**Mr McDonald**—No, there would be a small amount for operational materials and a small amount for depreciation on, say, three computers and printers. No other overheads such as rental or lease costs would be built into that figure.

**Senator MURRAY**—The question is the sustainability of the operation, as to whether it eventually becomes commercially viable or whether it always needs underpinning, and how it is costed relative to those two prospects.

**Mr McDonald**—It has never been evaluated on the basis of commercial returns. Tangentyere Council believes that it is a vital service for town campers, and people who travel into town from remote areas will come to us as well. We have always seen it as a vital service and have been able to keep it open.

**Senator MURRAY**—It is not uncommon—there are other town councils who underwrite facilities for their community, as we have seen over in Queensland.

**Mr McDonald**—Having said that, we are obviously very keen to reduce our costs where we can to reduce the cost of subsidising that operation.

**Senator MURRAY**—Do Westpac give you any professional advice on the best way of controlling your cost structure and that sort of thing or are you left on your own?

**Mr McDonald**—Westpac are helping us at the moment to look at ways of moving to an electric system so that we can provide face-to-face banking services, over-the-counter banking services, electronically rather than manually. At the moment every transaction is recorded manually and the information has to be relayed to Westpac at the end of the day. Information comes back at the start of the next morning so that we are up-to-date. We have to make sure that people being served at our bank agency are not also served at Westpac in town. Hopefully if we can find a way of cost-effectively providing services electronically over-the-counter then that can reduce our operating costs. Westpac are helping us look at that at the moment.

**Senator MURRAY**—What sorts of fees are incurred by the clients?

**Mr McDonald**—They incur the regular account and transaction fees that Westpac charges. We charge a \$2 withdrawal fee on the first withdrawal made by a customer per fortnight. That contributes to the operating costs of the bank and also the bus service. We have two buses which go continually from town camps to our bank agency, to the supermarket, where they can use food vouchers, and maybe to the hospital as well if somebody needs it. We have buses circulating all day, every day. So there is a \$2 fee on the first withdrawal per fortnight.

**Senator MURRAY**—Do your clients have a name for the fee? I ask you this deliberately because we were in Daly River yesterday and we were told that many of the customers using facilities there regard fees as fines.

**Mr McDonald**—No.

**Mrs Nightingale**—It is called the service charge.

**Mrs Birch**—For many years it was called ‘chuck in’. They used to put in their \$2 and they called it chuck in. They have seen it as a service fee for quite a while now.

**Mr McDonald**—The reason we charge only on the first withdrawal of the fortnight is that we want to encourage people to leave their money in their accounts and to access it in small amounts throughout the fortnight if they choose to do so, rather than to take it all out at once and then find that they are under pressure from family to distribute it or spend it on alcohol or something like that. We do not want to discourage people from leaving it and accessing it regularly throughout the fortnight.

**Senator MURRAY**—Do you find that there is an excessive fee build-up for clients? Again, I will give an example from evidence yesterday. We were told that numbers of clients, because they do not want to carry much money, swipe their card, take out a small amount, such as \$20 bucks, and then do that again and again later on. Each time they are building up a fee of \$2.25—I think that was the figure—per swipe. After 10 swipes in a day, or over a couple of days, they end up with \$22 worth of fees. That really chews away at their income.

**Mr McDonald**—Yes, and there is a concern that people may frequently swipe the keycard to check when money has come into their account. They might be expecting it on a certain day and might swipe regularly, waiting for it to come in. They might swipe their cards 10 times in a morning, waiting for it to come in.

**Mrs Birch**—That is part of the education—I do not know whether that is the right word—that people need to have. People here who are getting CDEP payments come to us and say they did not get paid, and when we ring up the bank we find that their money did go in but that they have already lost a lot of money by using their card at another bank to see whether it is in yet. So they have lost \$20 out of their small amount of money, and probably something else has come out of it as well.

**CHAIRMAN**—That clarifies it. I thought a fee-free service had been offered.

**Senator WONG**—Other than the \$2 for the first withdrawal.

**CHAIRMAN**—Yes. After the \$2 for the initial withdrawal, it is a fee-free service. But that is at the ATM here; if they go elsewhere and swipe then they incur fees.

**Mrs Birch**—Yes. It is a banking service feature that if you use your own bank you can swipe as many times as you like and it does not cost you anything, but if you use another bank then it costs you to look and to take money.

**Senator WONG**—It is a foreign ATM fee.

**Mrs Birch**—Yes. The biggest problem is trying to explain that. There was a lady in the office the other day, with another lady who I know quite well who speaks language. That was her problem: she had lost a lot of her money through using the wrong ATM.

**CHAIRMAN**—Through a foreign bank ATM fee.

**Mrs Birch**—Yes. I asked her to explain it to her in language, and she did, but I am still not sure whether she really caught on to it. The fees are the big problem.

**Senator MURRAY**—As a general issue in another area of inquiry, this committee has been discussing, as has the government, means through which far better information about ATM use can be presented at ATMs—information like, ‘This is about to cost you this amount of money’ et cetera. So there is a drive on for better disclosure because even so-called financially literate people have not realised how much it costs them to use an ATM to withdraw money, check a balance or for any of the purposes for which you might use it. Putting that aside and recognising that there will be improvements there, for clients who are financially illiterate, do you genuinely think that training and experience will lessen the problem or is that going to remain a permanent issue?

**Mrs Birch**—I am not really sure. As we were saying, for Aboriginal people it definitely needs to be in language. We see that as a big barrier here with different things. It is amazing how you can try and explain something to somebody and they do not really understand but if you have somebody explain it to them really quickly in language they will then understand and be happy to move on. There is the example of this lady we know. We have explained to her in a lot of different ways about not taking all her money out when she is away—she goes to Ayers Rock quite a lot; she has got family down there. We say to her, ‘When you’re down there, don’t take it all out.’ But she still does, because that is just the way it is with her and her family, even though she does understand what we are saying to her, which is, ‘If you leave it there, you won’t be ringing us up in two days time after your money has gone saying you’ve got no money.’ It definitely needs to be there and it needs to be in language so that they can understand it better.

**Mr Acfield**—It is an easier when we do it here when people come and access our services, but it becomes a very difficult issue when they are using services in town or at a remote community where there are no ATMs and they are only using EFTPOS or something like that.

**Mrs Birch**—That is right.

**Senator MURRAY**—The other question I have been asking in relation to this is whether it is gender and age related. I ask the question because I do not have much experience with young Indigenous people but I did go to a farm training school and I saw a computer room, and the young Aboriginal people there using the equipment were as agile with computers and as computer literate as non-Indigenous children—there was no difference that I could see. I wonder if this issue has more to do with age as opposed to being a permanent problem.

**Mr Acfield**—It is hard to say.

**Mrs Birch**—Yes, it is. I have worked here at Tangentyere for quite a few years. We have a big problem getting our younger children to go to school, so we find that we have older people who can write and read but younger ones who cannot. In Central Australia, or at least here, we have a lot of problems with the younger ones who, within a certain age group, probably do not cope with that sort of thing as well as the older ones.

**Senator MURRAY**—Before I give up my slot, I have another question. You say you have been doing this for 15 years. Have you seen an improvement in financial literacy and ability over 15 years or has the problem remained the same because it is recycled as people go out to the communities and come back into town and so on?

**Mr McDonald**—The transition to electronic banking and people using keycards is very recent; it is just in the last two years. In terms of reliance on mechanisms like food voucher systems, that is pretty steady because the need in the community is so great, particularly with extended families. The pressures on people to provide for extended families are significant. Those services need to be in place and to stay in place, and I think people appreciate them being there.

If you have a food voucher and somebody asks you for cash you can say, 'No, sorry, I can't give you cash; I've got a food voucher.' If somebody wants the cash for alcohol the food voucher cannot be used for alcohol so you are protected in a sense or, if you receive your money twice a fortnight, you might be able to say, 'Look, I haven't got any money at the moment. I can't help you, but I can help you in two days time.'

**Senator MURRAY**—I guess I should interpret my question to you a little better. It seems to me that, on the welfare distribution side, for as long as you have a need you are going to have to provide that in whatever form it is. So, to me, food vouchers and anything else are just part of welfare distribution. But in the ability to use the system and manage the system effectively you hope to see an improvement, so that people are able to sustain themselves or manage their affairs better even though they remain welfare dependent because of their circumstances. I can see that the welfare dependency is likely to remain for as long as there are the problems we know about—hopefully that will change—but as regards the ability to manage affairs within that system, has that improved within your 15 years?

**Mr McDonald**—Sorry, I should have been clearer in my response. In one sense, the beauty of the food voucher system or weekly payments is that you can choose to receive your money in smaller amounts, less frequently. You can set yourself up so that you can deny claims from extended family or people in the community, and I think that helps people. So in a sense people are deliberately arranging their affairs so they can keep money for themselves or their closer relatives. I think it is very important and very useful to be able to give people the opportunity to use that system rather than simply budgeting themselves and saying 'No'. There is a big difference between being asked for money which is in your account or your pocket where you can access it all and saying 'No, I'm not going to give you that money,' and being able to say 'No, I can't give you cash because I've got a food voucher,' or 'No, I can't give you money today because I'm not getting my money until a couple of days time.' If you have the money in your account and you can take it out, or you have it in your pocket, and you refuse the social obligation, you are denying it. Saying 'No I can't,' is different from saying 'No I won't.' So, in a roundabout way, what I am saying is that while people using these systems are deliberately setting themselves up so that they can keep money for themselves, and they are aware of that, it is a lot easier for them to do that through these sorts of mechanisms than to simply have all the money in their pocket and say 'No.'

**Mr Acfield**—Our experience with Aboriginal people is that obviously Aboriginal people have a much broader sense of obligation than perhaps we would, coming from a European background. Aboriginal people will have broader obligations to a wide range of people. Their money, in a sense, is a resource that can be utilised communally. Therefore it is very difficult for Aboriginal people to see money as a resource other than something that is to be used immediately—whereas I think for us money is something which we see in a much longer term sense as something we plan with and use as an asset to build. I think money is viewed very much

in an immediate sense by traditional Aboriginal people. That makes the issue of planning how to use money a very difficult one. I think we are at the stage of people still wanting to have the immediacy of money, but using it in a way that does not lead to problems in terms of—

**Senator MURRAY**—Food shortages.

**Mr Acfield**—Yes, and that sort of thing. I think that is really the area where we are at the moment. It would be good to be into the area of longer term financial planning but I think some of our colleagues would say we are still a long way away from that.

**Mrs Nightingale**—I think you would find that if they come in by themselves, they will tend to leave money in their bank, but if they come in with family or hangers-on they will not. They feel obligated to take all the money and share it, but if they come in by themselves they tend to only take what they think they might need for the rest of the day or tomorrow.

**Mr McDonald**—A pretty clear example is the person whom Leanne referred to before. She is a client of Tangentyere Council who has used our bank agency for years. Under the old food voucher system which was a book-up arrangement we had a rule that if you had a keycard—most people did not—you could not use our food voucher system because, if a cheque was not coming, we did not know whether we could collect the debt. She was one of the few people who had a keycard because she would travel to Mutitjulu frequently, would need to be able to access money down there and did not want to be stranded with a cheque here. When she was in town, she would choose to use our food voucher system and would leave her keycard with us in the bank. Obviously we did not know her PIN number. When she wanted to go to Mutitjulu she would come and get her keycard, and we would suspend her food voucher arrangement.

The point is that she knew the food voucher system was there to help her to get through the fortnight without spending her money all at once. From the fact that she gave us her keycard and always wanted to be on the voucher system, we can presume that she was happier on the food voucher system than getting all her money at once and spending it early in the fortnight. I am sure she understood how our system works and chose to use it. Whenever she got the keycard and went down to Mutitjulu—there was no food voucher system available to her there—her money would go in on a particular day and, almost inevitably, one or two days later we would get a phone call saying: ‘I’ve got no money. Can you help me?’

So, when she was in an environment where a food voucher system was available, she would choose to use it and presumably was happier doing so. She understood that. But when she was in a system where there was no food voucher system available, all the money would come out and would be distributed very quickly. She did not have a drinking problem, smoke cigarettes or anything; it was simply that the money would be distributed among family members or the community group very quickly. She understood the system and how it worked. When she could, she would use it but, when it was not available, she would revert to spending the money all at once.

**Mrs Birch**—She still uses the system and understands it quite well. We have emergency relief available as well and, at times, she would go down and get emergency relief because she looks after a lot of other people’s children. She came up one day with an emergency relief voucher and I said, ‘You still have money in your account.’ She said, ‘Yes but, if I get this one today, I can



use that one on Friday.' So she was using all the systems that made it better for her. She certainly understands it but, if the system is not available and if she has to manage it herself, she cannot do that. But she certainly does seem to understand how it all works to make the system benefit her.

**Senator WONG**—You have probably gone through all this, but I want to make sure I have the history of the bank and the council clear. There has been a Westpac agency here for 15 years or thereabouts, but the bank pilot project really arose out of Centrelink's decision to move to electronic payments rather than cheque payments?

**Mr McDonald**—When we heard the announcement we were worried that we were going to lose our food voucher system.

**Senator WONG**—Is that when the ATM came online?

**Mr McDonald**—As part of the bank pilot project.

**Senator WONG**—You received funding from FaCS and worked in partnership with Westpac. Did you get anything from ATSIC?

**Mr McDonald**—ATSIC certainly gave us some money for the evaluation and maybe some money for the bank agency as well.

**Senator WONG**—We have heard a reasonable amount of evidence about the difficulties faced by marginalised communities, of which Indigenous communities are one, when one moves from the system of cheque payments to EFT. In fact, in America when that was done there was quite a lot of work done ahead of time to try and deal with it. I do not think that has really been the case in Australia. So it is an unusual project in that it is one of the few—the only significant one I can think of—that has tried to deal with that in a proactive way. It is hard to talk in hypotheticals but, knowing your client base and your community as you do, how different do you think their experience would have been if you had not had the pilot project and people had moved from cheque to EFT without the sorts of support mechanisms that you have described?

**Mrs Nightingale**—They would not have changed them.

**Senator WONG**—Was that why FaCS was happy to put up the money? I suppose I am asking you what their intentions were and that is a bit difficult.

**Mrs Nightingale**—People can have bank accounts now, but if they go bush a lot of them will ring Centrelink and change back to cheque so they can receive their payments out bush. If they do not have a keycard, they cannot do that. They have to come back into town, get their money and go back out. They still have the option of changing back to cheque. They are discouraged from doing that. If the option were not there and they were not shown the options, they would choose just to keep their cheque.

**CHAIRMAN**—What do they do with the cheque?

**Mrs Nightingale**—From what I know, the stores out there cash them for them.

**Mr Shacklady**—That is where you go back into the book-up system.

**Mrs Nightingale**—Yes, that's right.

**Mr Shacklady**—There's the store and they have control of the full cheque again.

**CHAIRMAN**—And there are no electronic facilities there?

**Mrs Nightingale**—I do not know which ones do not have those facilities, but some do not have them so they have no choice but to go to cheque.

**Senator WONG**—From your experience when they do that, has there been much theft and fraud through the book-up system in terms of recipients?

**Mrs Nightingale**—I do not know what their system is out there. From our point of view, people have to prove who they are before they can receive the cheque here and cash it.

**Senator WONG**—Sorry, that is not what I meant. I am talking about the situation where the recipient gives the cheque to a store owner for book-up. We have had evidence which suggests that there have been occasions when the person who has the cheque might be adding a bit more than they should for—

**Mrs Nightingale**—We see more cases where someone says, 'I've given my keycard to the taxi driver' or 'I've given my keycard to the store owner.' That is what we hear about.

**Senator WONG**—And what sort of problems arise there?

**Mrs Nightingale**—Then they cannot get their money because they do not have their keycard or they go to the bank to access their money and it has already gone.

**Mr Shacklady**—I think the unfortunate thing that happens is that the book-up is usually more than what the next Centrelink payment is going to be. If it is \$500 or \$600 and the cheque comes in, they never get to see the money because they say, 'Well, he's chasing his tail with the book-up system.'

**Mr Acfield**—I worked for another remote community organisation in Western Australia and there is certainly a lot of evidence of Aboriginal people being ripped off by storekeepers and so on in the transaction process. It is a very remote area. Often money is very loosely managed and when it disappears it is very hard to track. There is a lot of history in remote central Australia of fraud and people getting away with large sums of money.

**Mr McDonald**—This area highlights the importance of weekly payments for people in remote communities. Part of the rationale for moving to electronic payments is to try to thwart book-up practices. Whether or not it works is debatable. If people start to give their keycards and PIN numbers over to store owners the store owners can access the funds. With a cheque, they can only access the value of the cheque. With a keycard they can take all the money in the account. Even though book-up practices may be thwarted by moves to electronic payments, in

remote communities the book-up practice may be the only financial service that people have to manage their finances throughout a fortnight, even if it is exploited.

**Senator WONG**—At least they get something.

**Mr McDonald**—If those practices are thwarted, people are left without any financial services to help them manage their money for the fortnight. In Tangentyere we have a food voucher system to help people get through, but if there isn't something like that weekly payments would be important to give people some mechanism to spread their payments throughout a fortnight.

**Senator WONG**—I understand that in terms of people's budgeting, but the problem still remains in some remote communities of how they access the money. That is there whether it is weekly or fortnightly.

**Mrs Nightingale**—They cannot get it weekly if they are getting cheques to communities; that can only be fortnightly.

**Senator WONG**—So you are suggesting that, even if it is by cheque, people should be able to go weekly?

**Mr McDonald**—Yes. Weekly payments are important and they are a valuable service for Aboriginal people in the entire region but I think they are more important for people in remote communities than they are for people in Alice Springs. Tangentyere have an alternative, a food voucher system, which works in much the same way in some respects.

**Senator WONG**—I have a quick question about the use of the ticket to the bank training work. Did that mean that people were more likely to go?

**Mr McDonald**—Yes.

**Senator WONG**—That is strange, isn't it?

**Mr McDonald**—I am not sure whether it made it seem important or special but, yes, it was a little thing that we put in place.

**Mrs Nightingale**—Another good thing was that they had someone at the bank training room. If you saw anybody with one of these tickets you knew that they were supposed to be there so you would go to them and say, 'You need to come with me because we need to do this.'

**Senator WONG**—The funding from FaCS for the pilot project has expired, hasn't it?

**Mrs Nightingale**—Yes.

**Senator WONG**—Have you had negotiations about a further request for assistance?

**Mr McDonald**—No. There is no ongoing funding at this stage. We are not discussing—

**Senator WONG**—What does that mean for the service?

**Mr McDonald**—It means that we have basically taken on the ongoing role of regularly opening bank accounts and signing up people for the food voucher system and running people through that budgeting process and any training that they need; for example, signing off keycards. Our bank staff do that now.

**Senator WONG**—We have been given a copy of the evaluation report, which is what we made public before, so I can ask you about it. Is there any aspect of the recommendations contained in McDonnell's report that you disagree with, agree with or would like to emphasise?

**Mr McDonald**—Not that we disagree with, no.

**Senator WONG**—You mentioned the hub RTC in your opening address.

**Mr McDonald**—That is what we are looking to in the future—an expansion of financial services being within the region, through the RTC program, but having these services linked so that people are able to transfer money from community to community and be able to move without being left high and dry.

**Mr Acfield**—One of the issues we have with the RTC project is that there have been two different programs for funding proposals like this. One of them is the RTC project, which is based on putting funds into very small communities. The other one was the Regional Solutions Program, which is to do with communities like Alice Springs. One of the problems for us was that we tended to fall between the gaps in those programs. We are dealing here with a group of Aboriginal people who live within a large community but who in effect are very isolated from that community. There are a number of small communities within a large community. So dealing with the RTC program for our own clients was quite difficult, even though they live in a small community and often have links with and spend a great deal of time living in remote communities.

There certainly has been a problem with the interface between those two programs. That is a common problem we find with our client group: they are effectively remote and isolated from town but do not often fit into funding guidelines for Aboriginal communities living in an urban area. The urban-remote divide becomes a bit blurred in Alice Springs. That has been an issue for us and it is part of the reason we have gone for the hub notion. We can effectively use remote communities' access to RTC funding to then pull together a hub in Alice Springs, rather than go for funding which might go the other way—in other words, to set up a program which could be funded from Alice Springs to provide services. We have had to be fairly creative, if you like, about how we have used that fund.

**Senator WONG**—So it is a combination of RTC and Regional Solutions funding?

**Mr Acfield**—No, the way we would be going would be RTC funding. But we would effectively be the hub for a number of remote communities, so we have to access the RTC funding through that process.

**Senator WONG**—We heard some evidence in Darwin which was a little critical of the RTC guidelines, suggesting that sufficient consideration of Indigenous communities was not taken. Would you agree with that?

**Mr Acfield**—I think the RTC guidelines assume that there are discrete communities dotted around Australia. That is certainly true for most of white Australia but, in the Aboriginal world, it does not quite work that way. People move around; they are much more mobile. So you often find that people who live in town camps also live in a remote community for some part of the year. What constitutes an Aboriginal community is a much more fluid concept than is the case with mainstream Australia. Therefore, the delivery of services is different when people live in both an urban and a remote area.

**CHAIRMAN**—I want to explore the operation of the agency a little more. Currently it provides an over-the-counter service. Do you have a teller machine operated by counter staff?

**Mr McDonald**—No, we have staff who provide withdrawals and food vouchers over the counter. On the customer's side of the counter, there is an ATM that they can use if they like. We intended to, and will, hold keycards for people if they leave them with us so they do not lose or break them. Obviously no PINs are kept. But that is something that has never really been asked of us; people are not keen on it.

**Mrs Nightingale**—They do not like to leave them.

**CHAIRMAN**—So you are not able to provide a full over-the-counter banking service with a teller operated machine?

**Mr McDonald**—Not at the moment.

**Mrs Nightingale**—There are no computer operations.

**Mr McDonald**—When we were looking at having something like the ATM coming in, we hoped first off for an EFTPOS service over the counter so that we could keep keycards for people if they did not want to take them away and we could help people throughout the transaction. That way we would also have got away from the manual reporting of all our transactions. The issue that stopped us was that people really need to be able to see their account balances, and there was no EFTPOS technology available which would have shown account balances. We were worried that people would come in with a keycard, swipe it, ask for \$100 and there would not be sufficient funds, so they would swipe it again, ask for \$60 and there would not be sufficient funds, so they would ask for \$20—until you found out that there was actually no money available. We were worried that, if people could not see their account balance, they would keep trying and that time would be lost in that way.

**CHAIRMAN**—So you need a teller operated machine—I do not know what the technical term is—to do that but you do not have that at the moment?

**Mr McDonald**—We do not have that.

**CHAIRMAN**—Is there any prospect of getting that? Have you had any discussions with the bank?

**Mr McDonald**—Westpac are looking at ways we can get around that at the moment. We are hopeful that something can be done but, at the moment, we do not have that.

**CHAIRMAN**—Given your clientele, I suppose there is no requirement for deposit-taking facilities, is there?

**Mrs Nightingale**—It is just for withdrawals. The biggest problem is balances. You always have to ring the bank, because people get loans through Centrelink. We say, 'You've already taken your pension,' and they say, 'No, we've got a loan.' So you have to ring the bank and take up the bank's time. They go to the computer, have a look and let us know if the person has the money. Then you have to record it all on a piece of paper which does not actually make its way to the bank until the following day. So, if these people go to the big bank, they can be served there if the person who is serving them does not look at the list of Tangentyere clients, which we have given them. This is the biggest problem: they can get their money twice and, because you cannot leave them in poverty, when they come back next pension day, by law you have to give them 90 per cent of their pension, so they are going to be overdrawn. That 10 per cent is not going to pay off their overdraft for months and that is the biggest problem.

**CHAIRMAN**—I am asking the question in the context of trying to assess the ongoing viability of the facility, given that at this stage there is no more funding for it. At the moment the council is meeting whatever cost is incurred in operating that facility.

**Mr McDonald**—Yes. We are hoping we can provide an over-the-counter electronic service. Thirty-five to 40 per cent of our clients have never asked for keycards; they still use over-the-counter withdrawals. We are hoping that we can give them the opportunity to be exposed gradually to keycards rather than simply give them a keycard and have them wander off to be left to their own devices. If we had EFTPOS facilities over the counter we could give them gradual exposure by keeping their keycard for them and swiping it for them. The only difference from a normal withdrawal would be that they would then put in their PIN. If they are then comfortable with the idea of remembering their PIN, they have a keycard sitting there ready for them to take away if they want to travel or whenever they want to take charge of it. At the moment we have a bit of difficulty in assessing the difficulty that people have with remembering PINs or keeping hold of cards, because in most cases once they have the card they go away and we do not see them. That is something we are looking at.

**CHAIRMAN**—Is there potential for the facility to become commercially viable, not necessarily making a profit but at least running at break-even, or are there not enough potential clients or enough of a requirement for banking to get it to that level?

**Mr McDonald**—A lot of our services are time consuming because they often involve identifying the person we are working with and then going backwards and forwards with Westpac. Things move slowly. Also, we do not have a tradition of charging. Our clients are not used to paying significant fees for over-the-counter transactions. We have the \$2 fee once a fortnight. It would be a big shift in the culture of service provision in the bank to look at breaking even. Hopefully, with the change in technology we might be able to reduce our

operating costs, but at this stage there are no plans for having it break even in the next three years.

**CHAIRMAN**—So you do not see it getting to the stage of being a Bendigo Bank type community bank or a Heritage Building Society type community bank?

**Mr McDonald**—It is interesting. We are now starting to have some close contact with Traditional Credit Union, up north. They are the alternative model; they will not provide a service unless they can break even. They have a range of financial services with fees attached, and presumably they cover their costs. I have heard that Traditional Credit Union are interested in setting up an operation in town, so their focus is shifting further south now. We are just starting to talk to Traditional Credit Union about how they do business. That may be something for us to look at in the future. That is the alternative. If we were to look at running the agency as a break-even operation I would think we would learn from Traditional Credit Union.

**Mr Acfield**—I think it will also be partly contingent on how we go with the rural transaction centre proposal as well; in other words, setting up some sort of regional banking initiative. It is fair to say that this is a very uneconomic area of banking activity. Westpac have made a decision to engage in an activity which is not commercially viable from their point of view either. It is to their credit that they have done that. There is no money in it for anyone, really. I cannot speak for other financial institutions, but they would have to cross-subsidise this activity because, as we have said, it deals with large numbers of transactions on very small accounts. If it is going to be provided in a cost-effective way for clients it is not going to be very profitable for the provider.

**Mr McDonald**—The RTC program is the one thing which would be likely to cause us to change significantly the way that we approach service provision in the bank agency. If we were to be involved in a regional network of RTCs then we would certainly need some external assistance. So that would give rise to change.

**Senator WONG**—Doesn't the RTC funding envisage rent receipts or an element of self-funding? I thought it would be from rental and that you would have to pay rent back.

**Mr Acfield**—It does; it has to be commercially viable.

**Mr McDonald**—A three-year period, I think, is the time frame they look at.

**Senator WONG**—Do you think that is realistic?

**Mr Acfield**—At the moment, we are identifying what commercially viable activities can be provided through the network of communities, so it would not only rely on banking services.

**Senator WONG**—Would it be Centrelink as well?

**Mr Acfield**—Centrelink, possibly giroPost services and rental to other government agencies. Job Network could offer some possibilities as well. There is very little Job Network provision outside Alice Springs.

**Mr McDonald**—For instance, courts could pay for access to a room if they are travelling to a community and that sort of thing.

**Mr Acfield**—Possibly providing a fee-for-service office because quite often people have to travel to communities and there are no office facilities there for them. They would be the kinds of things. They are what we are going to have to look at in this whole process and try and work out whether this network is viable. From our point of view, as you can see, some of our other services here are income generating—Job Network is an income generating activity for us. So if that were part of this or if some of our other enterprise activities were part of this, it might become more commercially viable and be able to cross-subsidise the banking activity. I do not think banking by itself is ever going to be a commercially viable activity for us in the foreseeable future—I might be wrong. It is going to have to be in conjunction with other activity.

**Mr McDonald**—It would require somebody like Traditional Credit Union to take significant responsibility.

**Senator WONG**—They have a higher fee structure than you do.

**Mr McDonald**—Yes.

**Senator WONG**—I am not critical of them for that; they provide that service to clients who are costly in terms of the administration.

**CHAIRMAN**—If there are no further questions, I would like to thank you all for your appearance before the committee today. The answers you have given to our questions have been very helpful to our inquiry and they will make a big contribution towards the final outcome.

**Mr McDonald**—Thank you.



[11.18 a.m.]

**MILLER, Mrs Joanne Marie, Business Manager, Service Delivery, Central Cluster, Area North Australia Centrelink**

**PITTS, Mr Gordon Ronald, Area Manager, Area North Australia, Centrelink**

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

**Mr Pitts**—First of all, I would like to explain where we come from in Centrelink. I am the area manager of what is called Area North Australia, which is the Northern Territory, the Kimberley and the AP lands into South Australia and over into Western Australia. I am responsible for the operational arm of the delivery of Centrelink services in that area. By way of background, I have spent a fairly extensive amount of time in both Darwin—for about eight years—and in Townsville—for seven years over different periods. How long have you worked for Centrelink now, Joanne?

**Mrs Miller**—Four months.

**Mr Pitts**—I am based in Darwin and Joanne is based in Alice Springs. She has a long history in the Alice Springs community and is now working for us. Joanne is involved in service delivery operational matters.

The submission was put jointly to the committee by FaCS and Centrelink. Obviously, Centrelink sees its core functions as delivery on behalf of a number of government agencies—with FaCS being the major department but including DEWR and a lot of other, smaller, departments—including the delivery of services referral services to the Job Network and obviously the delivery of social security payments to people.

In terms of banking issues, we have been trying to cooperate with other organisations, such as Tangentyere, with the weekly banking trial. There are other trials going on in Queensland—in Aurukun, Mossman and Coen—which are called the Financial Income Management Trials and which are again being undertaken jointly with FaCS and Westpac. People are contributing portions of their social security payments through the banking process, pooling them and looking at how that money might be used to better their lives. I understand that the expansion of that is being looked at in FaCS. As I understand it, the weekly payments trial and other things are also being looked at jointly by FaCS and Centrelink because at the moment, although there seems to be some slight debate, the weekly payment would need some legislative change to come into play more widely. There is a legislative prohibition which I do not fully understand.

Another thing we are doing is expanding Centrepay. Centrepay is a voluntary scheme whereby people can ask us to withhold certain portions of their payment and pay them to other organisations—just like a bill-paying operation. Examples of how that is improving things are

where we are doing that to pay rent on Indigenous communities. That means that there is a high level of rent collection, and that is flowing into the maintenance and improvement of housing. People out at Katherine are using the scheme to buy whitegoods for their houses, and in some places we are using it to help people pay off fines, which keeps them out of jail and so on. So we are extending Centrepay into the Indigenous communities and trying to extend the uptake of it. It is a banking type arrangement and it is one we are extending.

**CHAIRMAN**—Is the food voucher system an element of Centrepay?

**Mr Pitts**—Yes, the money that is going into the way Tangentyere receive their food vouchers is being paid through Centrepay. In fact, there is a limit within the Centrepay arrangements so that only 60 per cent of somebody's pay can be redirected through Centrepay. There is a special agreement with Tangentyere and we exceed that limit there.

For a limited number of communities there are the remote area service centres which we are opening. There are three already: at Laverton, Yarrabah and, from yesterday, Halls Creek. We are opening smaller offices and there are another nine to come over the next three years. They will have some effect. Because they improve our service they will improve the take-up of Centrepay and other issues like that. Something struck me about what the people from Tangentyere were saying about book-up. Book-up is not limited only to remote Australia. Book-up takes place in Darwin. Stores in Darwin conduct book-up.

**Senator WONG**—We heard about that from Mr Acfield.

**Mr Pitts**—It is very common in remote Australia but it is not just in remote Australia—

**CHAIRMAN**—Does it happen in Indigenous communities in Darwin?

**Mr Pitts**—It tends to be what people in Darwin call itinerants, who are mainly traditional Indigenous people from communities coming into town. But they are not always Indigenous people; there are non-Indigenous people as well. Many of the issues about book-up do not occur just in remote Australia.

**Senator WONG**—While we are on this, would you agree with what Mr Acfield was saying, which was, as I understood it, that because of the lack of access to cashing facilities in remote Australia you have a systemic bias towards the development of book-up systems? This is because people have to get around the situation of 'I have got my cheque, but I can't cash it'.

**Mr Pitts**—Financial service is a part of it, but in many of these communities there is no other source of food—except for bush food. There is only one store in many of these places and in some places there is not even a store; there is somebody visiting with supplies.

**Senator WONG**—And they are it?

**Mr Pitts**—They are it. It is a monopoly. There is no choice. It is not just for financial that it is the only choice. That applies to some degree in the towns too: it is not a monopoly in terms of only one supplier, but there may be only one person willing to provide that credit. Book-up existed for a long time in these communities. It goes back to the cheque days. And now—what I

certainly would never have envisaged—it is moving to people direct credit. This practice that has developed of handing over keycards and PINs is just incredible. Again, it is how much people understand of what they can do. The people in receipt of the benefits can change their banks, or perhaps not change their banks but change their method of payment. Again, there are some very smart people out there. You were talking about the change of addresses yesterday.

**Mrs Miller**—Yes. In certain communities people will do a full book-up at one store and then they will ask for a change of address to another community and then book up at that store so they have a trail of book-up following them around.

**Mr Pitts**—But they move their payment. They would be on cheque payment and move their cheque around. But there was a solution to that from the storekeeper that you were talking about yesterday, where they kept the stock of the signed change-of-address forms.

**Mrs Miller**—Yes.

**Mr Pitts**—So the storekeeper in place A would keep, from the individual, some signed forms of change of address, of notification to us, so if the cheque did not come they would fill it in and send it back and get the cheque sent back to them for the next one. There are some very innovative people out there!

**CHAIRMAN**—So the fraud, if you like, or the quasi-fraud, is not committed all on one side. It is not always the shopkeeper committing the fraud.

**Mr Pitts**—Not necessarily. I have heard a lot of anecdotes, but from my own experience I have seen examples where, from what I saw, book-up was very advantageous to people. It really did give them access to food et cetera. The way it was conducted, from what I saw, was very legitimate. I think it then extends across the whole spectrum—there may not be actual fraud of money but you wonder about the prices that people charge for the food in some of these communities. They charge very high prices and then, yes, you do wonder about out-and-out fraud.

**CHAIRMAN**—But if people are using book-up at several different stores to the full extent of their cheque, they are never going to settle some of these debts, are they?

**Mr Pitts**—No. So, yes, it is a credit system that is open on both sides because it is so informal.

**Senator MURRAY**—Just listening to that, the way the storekeepers will do it is that they will just build in unexpected loss—a fraud element—and that is why they will keep lifting their prices, to cover it.

**Mr Pitts**—There are different communities. In Tangetyere, they look after the people here and run the store. In Maningrida, we have a small office we opened as a trial a couple of years ago. I have been to the store there and it is run by the community. They have a practice regarding fresh food there. There is no mark-up whatsoever on fresh food, but the community is running that store, so it really is being used for the people. It depends on the motives of the people running it.

**Senator MURRAY**—If there is a lesson I have learned from this visit up north over these last two days, it is that legislators need to be sure they have flexible systems for rural and remote Australia. If you design privacy legislation to meet the majority of Australians' needs, it does not cater for the situation where people will hand out their passwords and PIN numbers so that somebody can be the intervention between them and somebody else who otherwise would not understand them. The same must surely apply in Centrelink systems and legislative practices. I suppose that is one message we might consider putting in our report.

**Mr Pitts**—We look at our role as getting the correct payments to people on time and our main method is obviously by direct credit, but we do have a lot of cheques, particularly in remote Australia. It is this issue of how do you, in legislation, then cover what they do? Much of this, whether rightly or wrongly to my view or yours, is their choice. Sometimes that is very limited choice, but it is very difficult. The idea of people giving up keycards and PIN numbers is just amazing to me, but it is so widespread. I agree with what you are saying; I just do not know how you stop it. It is as if you are giving them the cash and they are giving it to somebody.

**Senator MURRAY**—Or whether you need to always stop it—or sometimes stop it—because evidence we had yesterday was that it works very effectively, where you have trustworthy people as the intermediaries, but obviously there are loopholes. I want to ask you about this weekly based approach. Do you think that should be imposed on people or should it be a voluntary commitment—a voluntary request—by them?

**Mr Pitts**—I am trying to think of where we do have weekly payments here. There are other informal cases in Centrelink of weekly payments and they are generally, as here, to help people with budgeting, to help people who cannot look after money and who do not have somebody else to help them with it. I am trying to think of the case where you would impose it, where we are making—or somebody is making—a judgment that they are not capable of budgeting or handling their money and those sorts of things.

**Mrs Miller**—There are some customers who the weekly payment trial just did not suit. They did not enjoy being on it and they asked to be removed. For example, if their benefit had been \$400 a fortnight and it was now \$200 a week, they would say: 'No, that's not enough. I need \$400 a week.' They would say, 'No, I want a fortnight payment of \$400.' And there were other people who just thought they got too much humbug from getting money every week and they would prefer a fortnightly payment. So I think it is an individual choice how people want to receive their money.

**Senator MURRAY**—You see, electronically, there is no reason why you could not pay them in any time period you wanted but I wonder, if there was a small community of 100 people and 45 got theirs weekly and 55 got theirs fortnightly, what that would do and whether any issues would arise out of that.

**Mr Pitts**—If we are talking about Indigenous communities, I think that is pretty much happening already because of the different types of payments that go in. Although Newstart payments and, theoretically, pension payments can be made on any day of the week now, most people are still on the old pension day on every second Thursday. So people are getting the pension every second Thursday and in the alternate week they get their family payments. It is tending to be week about already.

**Senator MURRAY**—And as far as I understand it, with remote communities, the day of payment locks into lots of other things that happen: when the planes come in or when the mobile store on the truck comes in—that sort of thing.

**Mr Pitts**—It certainly was with the pension day—every second Wednesday or Thursday, depending on the place. For the pension and Newstart now there is no payday. They can be paid any working day of the week but, as I said, they still tend to be on the Thursday. The family payments come every second Tuesday—in the alternate weeks.

**Senator MURRAY**—I am concerned about the idea of legislating book-up out of the system altogether—not that we have considered that as a committee yet, but it is one idea floating around. Do you think it is appropriate for book-up to be prohibited with certain kinds of products or stores? The difficulty is that a general store might well sell liquor as well as other goods so it is difficult to separate out.

**Mr Pitts**—I understand the NT government is looking at prohibiting alcohol on book-up. I would agree and support that. To ban book-up altogether would disadvantage some people. Given the legislation, we would then have to work out how to implement it. Exactly how you would enforce it, particularly in these remote communities, I am not sure. In many of these communities there is only one provider of goods. They are a monopoly. If you said they cannot have book-up by some law, I am not sure what affect that would have on the people.

**Senator MURRAY**—It is like the privacy provisions. People ignore them to make the system work.

**Senator WONG**—I have a number of questions regarding the transition from cheque payments to EFT, particularly with regard to Indigenous Australians. We had evidence before, which I think you heard, which suggested that weekly payments can only be paid by EFT. Is that right? If you want to be paid by cheque you have to be paid fortnightly.

**Mr Pitts**—That is the current arrangement.

**Senator WONG**—The weekly payment trial that was conducted here in association with your organisation was by EFT only?

**Mr Pitts**—Yes.

**Senator WONG**—Is there any suggestion that that will be extended?

**Mr Pitts**—That is back with FaCS because it is FaCS policy. They certainly are looking at extending the trial and we are certainly pushing for them to extend it more generally.

**Senator WONG**—Why are you pushing for it to be extended? What are the benefits as you see them? Is it anti the feast and famine cycle that we have heard so much of?

**Mr Pitts**—It is not just for remote and Indigenous people. There are already a number of informal arrangements for people in cities who find it difficult to handle money. We got to that stage in Perth—I was in Perth until 2½ years ago—and we get it in Darwin as well. People are

coming in to move their payday to get two days payment on Newstart. Then that puts them out another fortnight and they will come in again. They will do anything to get money. Where some of the informal operations operate is where, basically, we are doing deals with people and saying, 'We will put you on weekly payment but you cannot do these other practices every second day.' It is a compromise and we try to help them manage their case. So, yes, I think there is a case for weekly payment to help people with their financial management.

**Senator WONG**—I turn now to the statistics on electronic versus cheque payment. I assume you keep those across the country.

**Mr Pitts**—I have them for the area.

**Senator WONG**—For your area—tell us now or take it on notice and provide it later—what is the percentage of recipients who receive payment via cheque as opposed to EFT?

**Mr Pitts**—I have figures as at 11 July for this area. There are people double counted here because this is a count of payments. If somebody is on a disability pension and has children they would also get a family payment as well.

**Senator WONG**—And this is for the whole northern area that you described earlier?

**Mr Pitts**—Yes, this is for the Kimberley. These are the people on the system who have cheque, direct credit or group—and I will get onto that in a second—as their method of payment. I can give you a copy of this, but there are 78,272 in total. For direct credit, there are 69,537. For cheque, there are 8,660. For group, there are 75, and they are generally people in nursing homes, where we give them a schedule of payments.

**Senator WONG**—That is far higher than I would have thought, to be honest. What percentage of those people would you say would be Indigenous? Do you keep those statistics?

**Mr Pitts**—About 80 per cent of our customers are Indigenous, but I would suggest that, of direct credits, it would be 95 per cent, at least, because it is directed at the really remote places where they do not have access to bank accounts. It would definitely be higher than 95 per cent that would be on cheque payment.

**Senator WONG**—On cheque payment?

**Mr Pitts**—Yes, sorry. I meant on cheque payment.

**Senator WONG**—I am a bit confused here. Let us go back.

**Mr Pitts**—Your question was about direct credit.

**Senator WONG**—Yes. My question is this: do you have any statistics on what percentage of Indigenous recipients of Centrelink payments receive them by EFT or direct credit as opposed to cheque?

**Mr Pitts**—No, I do not. I could get them.

**Senator WONG**—Would you be able to provide them?

**Mr Pitts**—Yes.

**Senator WONG**—Anecdotally, or from your observation, you would have thought that, of the people on cheques—

**Mr Pitts**—Almost all would be Indigenous.

**Senator WONG**—Almost all of them would be Indigenous, because of their location in remote communities?

**Mr Pitts**—Yes.

**Senator WONG**—Do you have internal costings as to what it costs you per customer to pay via direct credit as opposed to cheque?

**Mr Pitts**—No. I have seen some estimates of the cost.

**Senator WONG**—What are those estimates?

**Mr Pitts**—It was about 75c, I think. Could I get back to you on that? I will have to check.

**Senator WONG**—If you could, that would be good.

**Mr Pitts**—It was 75c for direct credit and it was certainly a lot more for cheque.

**Senator WONG**—So there are reasonably significant cost savings for Centrelink to move over to EFT or direct credit?

**Mr Pitts**—Yes.

**Senator WONG**—To what extent do you think your organisation prepared for the move, or the push, towards direct credit, particularly in relation to rural and remote communities?

**Mr Pitts**—I think the way it was handled was aimed at the general population and moving people to direct credit. The way we handled it—and the way we still handle it to a large degree—was by doing things like we did in Darwin, where we actually have kept the capacity, the stationery and a person there to print the cheques. Most of the stationery and output from our computer runs are printed in Sydney and Canberra, but we kept the cheque production in Darwin and that allowed us to manage it there, which really is in recognition of the lack of banking facilities and also how long it was going to take to move people to direct credit as the facilities became available.

**Senator WONG**—And that was because of the nature of your clientele?

**Mr Pitts**—Yes. It was trying, with those sorts of processes and with our own staff, to say, ‘Yes, we want to move people to direct credit.’ But we have concentrated on the cities. In the remote areas we have kept people on cheques and then we will get the facilities. My worry about moving to Sydney is the disruption if anything goes wrong. It was more to keep the production going, to keep the service up, than about pushing them. But as we have progressed and the communities have got banking facilities—as with Tangentyere and some communities—we go to them and push direct credit by talking to people and trying to get them onto it.

**Senator WONG**—I am interested that you say that. I am certainly not trying to approach this from a witch-hunt perspective but, with the benefit of hindsight, it would seem that some communities are not well prepared for a move to direct credit payments whether it be because of the banking services available to them or because of their financial literacy. I think that this inquiry has certainly demonstrated that. The Indigenous community, broadly speaking, is one of those communities. You said that you cannot understand why people hand over keycards and PIN numbers. But that is understandable for people who have English as their second or third language and who may not be literate.

**Mr Pitts**—Financial literacy is very poor.

**Senator WONG**—Yes. Has Centrelink done much with the financial institutions to try and facilitate the move to direct payments?

**Mr Pitts**—Generally. There are the agreements about how much can be paid and what is held—90 per cent must be paid and only 10 per cent can be held for debits. Except for the various programs about weekly payments held here in Tangentyere and in North Queensland, for remote Indigenous people we have not moved into education programs with the institutions or anything else.

**Senator WONG**—So Tangentyere and the Queensland projects are the only two?

**Mr Pitts**—We have also been to some remote communities to encourage people to go to cheque payment. We talk to them about electronic banking but I would not present that as a large-scale education program.

**Senator WONG**—Do you think there is a need for better systems to deal with direct credit for some recipients of Centrelink payments?

**Mr Pitts**—The experience of Centrelink and others brings out the issue of the understandably low levels of financial literacy of remote Indigenous people. Obviously we are a major provider of income, but so are ATSIC, through CDEP, and other people. I do not have the capacity to embark on a financial education program for people.

**Senator WONG**—But you see a need for it?

**Mr Pitts**—It is quite clear that people’s understanding of financial matters is very poor.



**Senator WONG**—You mentioned the agreement with financial institutions regarding the limit on how much someone's pension can be debited for bank fees. Does that arise from the MOU of, I think, 1999?

**Mr Pitts**—Yes.

**Senator WONG**—What else does the MOU canvass? Is it just fee payments?

**Mr Pitts**—It covers other things about our relationship with the bank, such as when we will provide payment information to them, and the resolution of problems. I am not an expert on that. I could get you a copy of the MOU.

**Senator WONG**—It is interesting that we have had all this evidence over all this time but, while we have had a reference to the MOU in a report, from memory the ABA has not provided the MOU. So, yes it would be useful.

**Mr Pitts**—It is interesting that you say that. In terms of the MOU at an operational level, we are of the issue of only 10 per cent being withheld. Also we provide letters of introduction to people to enable them to cash cheques at banks. Those sorts of things are covered in the MOU with the banks.

**Senator WONG**—It would be useful if you could provide us with a copy of that. Has it been revised or updated since it was first entered into?

**Mr Pitts**—Yes, it has. I think that happened in 2002 and I will get you the updated copy.

**Senator WONG**—From my perspective—I do not know about the rest of the committee—it would be useful if we could have both versions.

**Mr Pitts**—Okay.

**Senator WONG**—In that way the revisions would be clear. Basic bank accounts are accounts with limited fees et cetera. Have you been involved in any discussions with financial institutions about the provision of those accounts to your customers?

**Mr Pitts**—I haven't.

**Senator WONG**—What about your organisation?

**Mr Pitts**—I haven't in that area, but I do not know whether that has happened nationally. Most of the dealings with the banks tend to be done centrally in Canberra and at the Melbourne, Sydney, Canberra levels.

**Mrs Miller**—We have a local initiative where probably twice a year we gather bank managers together and discuss issues from our customers' perspectives, such as fees on accounts, the need for low-fee accounts and any other issues that stem from our customers using banks.

**Senator WONG**—Does that sort of interaction translate also to your providing any advice or information in your branches about the sort of bank accounts people should look for?

**Mrs Miller**—Not that I am aware of. It is more a matter of educating the banks as to the needs of our customers.

**Senator WONG**—We have had quite a bit of evidence about people running up fees. I do not know whether it necessarily relates to the sorts of bank accounts people have; it may be that they do have a basic bank account but they keep using foreign ATMs and therefore run up fees. So when people come in for their pensions, do you suggest—

**Mr Pitts**—No.

**Senator WONG**—Who does give that advice?

**Mr Pitts**—I don't know of anybody who does, to be honest.

**Senator WONG**—If I am an Indigenous person and I have not signed up to a basic bank account and keep incurring \$20 or \$30 because I keep swiping the card or go to a foreign ATM or whatever, would anybody in Centrelink tell me that there are these other products available or send me to—

**Mr Pitts**—No, we don't. We would not know what you are doing with the bank. We do not offer—

**Senator WONG**—Financial advice.

**Mr Pitts**—financial advice in that sense to people. The submission refers to the Financial Information Service—FIS—but that is very much directed, by program, at retirement incomes. The program is directed at improving people's retirement incomes, not at counselling low-income earners on budgeting or other money matters. It is about increasing their income from assets for retirement.

**CHAIRMAN**—There are no further questions. I thank you both for your appearance before the committee.

[11.56 a.m.]

**PATERSON, Mr Graham, Head of Regional Community Partnerships, Westpac**

**CHAIRMAN**—Welcome. The committee prefers that all evidence be given in public but if at any stage you wish to give part of your evidence in private you may request that of the committee and we will consider a request to move into camera. Are there any comments you would like to make as an opening statement or do you want to respond to questions?

**Mr Paterson**—Perhaps we can move to questions.

**Senator WONG**—Where do you see your bank's future relationship with Tangentyere going? Perhaps we could have some history or an explanation of why you have participated in this partnership. It is reasonably unusual and it is to be commended.

**Mr Paterson**—The relationship has been going for 15 years. I do not have a lot of detail of the origins of the relationship but needless to say there is a good day-to-day working relationship with the staff here in the bank agency. One of the staff in the agency used to be one of our employees, and that assists with knowledge and understanding of systems and how things work. That has been quite good. In recent times we have grappled with how we get the agency operating more efficiently. Part of the purpose of my visit here this time is to discuss some options to move forward and to get the agency online so that things such as account balances can be provided on the spot, which should speed up the process and aid in the education that underpins the use of handycards and PINs.

As for our view of the future, we have no view other than to continue this point of representation. Back in 1998 we said that we had no desire to reduce our footprint of representation, and where we currently conduct face-to-face banking we will continue to conduct it.

**Senator WONG**—But in terms of the commercial viability of the agency, I assume that it is not a profit-making agency for you.

**Mr Paterson**—No, it is not, and that is not the way we view the relationship. It is not a commercial relationship as such. The council has a banking relationship with us in an overall sense, and we very much value that relationship. This is part of that relationship and we support it. But the delivery of transactional banking services to the Aboriginal community that Tangentyere support has never been looked at as a commercial operation and we do not anticipate that it will be in future.

**Senator WONG**—One of the recommendations in the evaluation of the pilot project was to put the agency here online—that is, to have access to your Westpac facilities. Has the bank formulated a response to that?

**Mr Paterson**—Yes, we have, and I perhaps should first say that the agency is partly online with the installation of the automatic teller machine back in 2001, but the proposal to put the

counter services online has been something that they have been working on since my initial visit here late last year, when I had my first opportunity to look at the agency and its setup. So yes, there has been a lot of work done behind the scenes since November in understanding transaction levels, transaction patterns, the type of flow-through and the type of need. A lot of work has also been done in trying to understand some of the implications of the Financial Services Reform Act which brings about a new set of challenges for an operation like this, particularly as it deals with things like account opening and the explanation of account types, features and benefits, and how those might impact on the person. So the work has involved going through all of those things, because there is a lot of training that would have to sit behind bringing an agency such as this fully online—much the same as we have done with our in-store network nationally. With the 182 in-store branches that we have nationally we have had to go through a process of understanding the implications with those in-store branches, particularly since they have been enhanced, over the period since they were established, with the ability to basically do every transaction that you can do in a normal full-service branch occupied by our staff.

**Senator WONG**—Yes, I am glad you raised FSR. I did not even dare raise it when the previous witnesses were talking about some of the advice they have to give, but it is obviously something that Westpac would have to consider if you were going to move to a different relationship with the agencies.

**Mr Paterson**—Yes, it brings a whole set of new challenges and, I think, as has been raised this morning, the need for flexibility in legislation to take into account some of the issues that remote Australia faces. We are working with the Traditional Credit Union at the moment to try and give them some help in their application for their licence and in understanding some of the product disclosure statements they have to go through for the range of products they provide. We have already been through a lot of that work—our preparation began when the legislation was first mooted, and our application et cetera is well advanced—but we also understand that an organisation that is very small, on a micro scale, does not have the resources and capacity to be able to deal with some of those things in the more complex manner that they need to be dealt with. So with the Traditional Credit Union, for example, we provide a support role to try and assist them in whichever way we can.

**CHAIRMAN**—From your perspective, would there need to be some further modifications to the FSR requirements to set up a viable online service here?

**Mr Paterson**—I suppose the main aspect is the account opening process. The actual transactions are not quite as difficult but, when it comes to being able to open accounts, there are some specific components in the legislation which mean their level of training and understanding needs to be completed to a point where the person opening the account is qualified to assess the customer needs for the type of account, and to explain how that account works, so the customer has the full ability to walk away and be able to use that account properly. So there are some training requirements and that is part of the transition we need to think about in bringing the agency here online.

**CHAIRMAN**—Are there any other examples of this sort of relationship in other parts of Australia that you have with other Indigenous communities or other communities?

**Mr Paterson**—This is quite unique, I suppose. We do have relationships with other remote communities, not necessarily as a full third-party agency—as I suppose you would refer to this one. We still have some smaller agencies, one at Mbantua, which is a small community. There was one at Hermannsburg, and there is also one at Borrooloola. So there are some small agencies which operate on an off-line basis.

However, we also have other relationships with some of the remote communities. In those communities they still have people who become eligible for payments through Centrelink, for example simply by turning 18 years of age. Part of the responsibility there is that they need to have an account or somewhere they can put money through or receive money. We still have some strong relationships with those communities. They may have been established over many years through a banking relationship with the community rather than with the individuals. However, we seem to build on those relationships. Full credit should be given to the endeavours of people in remote Australia because they work through the practicalities and they use a lot of commonsense to ensure that people are not disadvantaged to any great degree so they can find a work-around system. There is no doubt that some of those work-arounds are made more challenging through changes to legislation, but we are keen to work with those communities to try to find sensible ways in which we can continue to do business with the communities and their constituents. We will continue to try to find ways to protect those people and those communities instead of being in a position where we are forced to abandon a community. That is not palatable.

**CHAIRMAN**—Where are you based, Mr Paterson?

**Mr Paterson**—I am based in Sydney.

**CHAIRMAN**—Thank you very much for appearing before the committee.

**Committee adjourned at 12.07 p.m.**