



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER AFFAIRS

Reference: Indigenous businesses

CANBERRA

Wednesday, 11 March 1998

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT
ISLANDER AFFAIRS

Members:

Mr Lieberman (Chair)

Mr Albanese	Mr McGauran
Mr Campbell	Mr Melham
Mr Dondas	Dr Nelson
Mr Entsch	Mr Quick
Mr Holding	Mr Tony Smith
Mr Katter	Mrs Stone
Mr Lloyd	

Matter referred:

To inquire into and report on the existing opportunities and arrangements for encouraging sound Aboriginal and Torres Strait Islander economic initiatives at the small and medium business level. In particular, the Committee will focus on:

the success of existing Commonwealth programs that help Aboriginal and Torres Strait Islander people (including those in joint ventures with non-indigenous people) to acquire, control, and develop sustainable commercial opportunities;

possible future policy directions and administrative arrangements at the Commonwealth level to encourage indigenous commercial initiatives;

any barriers to the establishment, acquisition or development of indigenous controlled businesses or businesses in which indigenous people are joint venture partners; and

means of raising the profile of indigenous controlled businesses or businesses in which indigenous people are joint venture partners.

The Committee shall also consider State, Territory, corporate and international examples of good practice in encouraging sound indigenous economic initiatives at the small and medium business level.

WITNESSES

BIRCH, Mr Reginald, Commissioner, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606	3
ELU, Mr Joseph Benjamin, Chairman, Aboriginal and Torres Strait Islander Commercial Development Corporation, PO Box 38, Woden, Australian Capital Territory 2606	30
MORONY, Mr Ronald Arthur, General Manager, Aboriginal and Torres Strait Islander Commercial Development Corporation, PO Box 38, Woden, Australian Capital Territory 2606	30
MYERS, Mr Ian Allen, Deputy General Manager, Aboriginal and Torres Strait Islander Commercial Development Corporation, PO Box 38, Woden, Australian Capital Territory 2606	30
O'RYAN, Mr Michael, Assistant General Manager, CDEP and Employment Policy Branch, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606	3
PAK POY, Mr William Douglas, Acting Assistant General Manager, Commercial Branch, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606	3
PLOWMAN, Mr Colin John, Acting General Manager, Economic Division, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606	3

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Present

Mr Lieberman (Chair)

Mr Albanese	Mr Holding
Mr Campbell	Mr Melham
Mr Dondas	Mr Quick
Mr Entsch	Mr Tony Smith

Committee met at 4.29 p.m.

Mr Lieberman took the chair.

CHAIR—I would like to welcome everybody and I open the first public hearing of the committee's inquiry into indigenous businesses.

Members of the committee believe that appropriate indigenous economic development is one of the key ways in which individual Aborigines and Torres Strait Islanders and communities can reduce their dependence on government funding, increase their own income and gain greater control over the events that affect their lives. One way of doing this is for indigenous people, groups and organisations, to develop appropriate businesses and be employed in those businesses. Indigenous people must drive this business activity. However, governments are keen to assist indigenous people in the process.

The purpose of this inquiry is to review the existing Commonwealth programs to assist appropriate indigenous businesses and joint ventures, and to examine whether the programs could be delivered in a more efficient and effective way. The goal is to make it easier for indigenous people to start and maintain successful businesses, and to increase employment opportunities for indigenous people.

The committee has already received some 20 submissions and has had informal meetings with indigenous business people. The committee plans to conduct several more public hearings in Canberra before talking to people in other parts of Australia; we have already visited parts of Victoria. If you would like further details about the inquiry, please feel free to ask any of the committee staff here at the hearing.

With these remarks I now turn to the proceedings at hand and thank you all for attending.

BIRCH, Mr Reginald, Commissioner, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606

O'RYAN, Mr Michael, Assistant General Manager, CDEP and Employment Policy Branch, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606

PAK POY, Mr William Douglas, Acting Assistant General Manager, Commercial Branch, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606

PLOWMAN, Mr Colin John, Acting General Manager, Economic Division, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606

CHAIR—Welcome. Although the committee does not require witnesses to give evidence under oath in general circumstances, you should understand that these proceedings nevertheless are legal proceedings of the parliament. Giving false or misleading evidence is a serious matter and may be regarded as contempt of parliament.

Before we ask you some questions, do you have an opening statement that you would like to make? Before you do so, Commissioner, I would like to thank Mr Plowman for sending us the submission that we have at the moment. We understand that it has to be seen by your chairman. As a matter of courtesy I would like to record that, once the chairman has seen it, if there are any changes to the document the chairman would be most welcome to inform us of those changes. But we propose, unless you have some problem, to use the document today as a basis for our discussions. Are there any opening statements that you would like to make?

Mr Birch—Thank you, Chairperson. I am an elected ATSIC commissioner. I am also chairperson of the Economic Portfolio Committee. I thank you, Chairperson, and your members for inviting us, the Aboriginal and Torres Strait Islander Commission, to this hearing. Because it is my responsibility to represent Aboriginal and Torres Strait Islander people with regard to economic independence, I would like to inform you of what my people think about it in general.

To Aboriginal people land is fundamental to our survival and for Torres Strait Islander people it is land as well as the sea. It was on our land that we practised our laws and conducted ceremonies, as well as gathered our food for survival. To survive in this fast moving world we realise that we have to use these elements as a source of our income as well as for traditional purposes. So when you think of Aboriginal and Torres Strait Islander people getting involved and being involved in businesses, you need to remember the importance for us of having access to these elements.

When we talk about business for our indigenous people there has to be a separation from how we think of business and the Western way of doing business. There has to be a merging of the two ways with all the complexities. We just want you to understand this, and that for some of us it is more difficult than for others. Also there are a lot of Aboriginal people, especially in remote areas, who do not know about business opportunities or how to run a business, what programs are available from the government or what is available from the private sector. They need help in finding out about all of these things. All governments have the

responsibility of assisting Aboriginal and Torres Strait Islander communities to enter business. ATSIC programs have helped a lot of people but more needs to be done. Thank you.

CHAIR—Thank you, Commissioner Birch.

Mr Birch—I will ask our manager, Mr Colin Plowman, to say a few words.

CHAIR—Mr Plowman.

Mr Plowman—ATSIC's role is wide in terms of economic development. It includes furthering the social, economic and cultural development of Aboriginal persons and Torres Strait Islanders. Also, we have a role to promote the self-sufficiency of Aboriginal persons and Torres Strait Islanders. ATSIC's most recent corporate plan states:

A goal of ATSIC is to strengthen our people and organisation, which includes a strategy of increasing the participation of indigenous people in the economy.

Therefore, at a broad level, ATSIC seeks greater economic equity for indigenous people. This means improvements in employment and income status. For the committee's information, I will give some details of the disparity.

In terms of employment, 8.2 per cent of the wider Australian population is unemployed, whereas 23 per cent of indigenous people are unemployed; if we do not count CDEP, 40 per cent of the indigenous population will be considered to be unemployed. The average income of an indigenous person is \$14,000 per annum. The average income of a non-indigenous person is \$20,000 per annum. Further, 5.3 per cent of the indigenous population is self-employed, as opposed to about 15 per cent of the wider Australian population.

ATSIC's submission to your committee promotes three objectives: the development of indigenous businesses and entrepreneurs; employment and skill development; and accumulation of assets and wealth creation. This inquiry is directly about the first of those objectives, but there are very great linkages between those three. I should say in relation to your introduction, Mr Chairman, that ATSIC agrees that government has a very strong role to play in the promotion and support of indigenous businesses.

As you would know, ATSIC and its predecessors have had economic and business programs for many years now and they are detailed in the submission. In 1997-98, ATSIC will fund about \$44 million to our direct commercial programs and about \$360 million to CDEP. Since the 1970s, ATSIC and its predecessors have funded about 1,400 loans. Between 1992 and 1997, over 500 CEIS—community enterprise initiative scheme—projects were funded. Prior to ATSIC there would have been many other grants funded by ADC and previous organisations.

Our submission gives details of status, type of business funded, loan size and other details of the loan programs in particular. We also give summary detail of what we would consider to be 17 successful businesses funded by ATSIC and four CDEP businesses that we also consider to be successful.

I should stress that ATSIC is not a bank. Although we use similar criteria to judge viability and success, we offer a whole range of developmental, monitoring and other support services, which are not offered by banks.

Mr QUICK—In the last 27 years you have loaned \$80 million, which is a lot of money for a non-bank.

Mr Plowman—Yes. I think what we are trying to say is that we are not there just to lend and take back money; we are there to try to develop business enterprises, whereas possibly a bank would not provide the same amount of developmental support that ATSIC does. Our submission notes a range of structural and cultural factors which we believe are barriers to business, including lack of access to capital and land, and lack of savings and other things.

Lastly, our submission offers a number of key policy directions: continued support of business programs by government; strategic partnerships with private sector and others; targeting microbusiness—those businesses with five employees or fewer—and business development by CDEP organisations. I thought I would try to give you that as a brief overview of the submission.

CHAIR—Thank you, Mr Plowman. Are there any comments by the other members of your group today?

Mr Plowman—No.

CHAIR—I might open the batting—or the bowling—and my colleagues will come in. I am mindful of the fact that we also have evidence to take today from the Commercial Development Corporation. I welcome representatives of the corporation. We will look forward to talking to you soon. I foreshadow that the committee expects that it will not necessarily complete its discussion today. We would hope that we can have other meetings as the inquiry proceeds, at mutually convenient times. As far as I can predict, today's hearing is not going to deal with every issue.

Members have only just received the document, which is an extensive document of some 30-odd pages. Obviously, members would not have had the opportunity to examine and to reflect on it. I also would like to foreshadow that there may be questions that we ask today which could have been answered in the submission but we have not yet had a chance to pick them up. Please forgive us if that is the case. Alternatively, we may wish you to elaborate once we have reflected on your submission and your comments today.

I would like to start by asking you to discuss a principle which already has emerged in my deliberations and discussions as we travelled in Victoria the other day. Should there to be a particular emphasis on indigenous financial assistance and training for individual members of indigenous Australia, or should the emphasis be more on the community? Would you like to comment on that, Commissioner Birch?

Mr Birch—Perhaps I should ask Mr Plowman to respond.

Mr Plowman—In terms of meeting the objective of getting economic development, there probably needs to be a balance between the two. There will be a need for ATSIC and others to support individuals to enter into business because obviously individuals will have a great stake in their own self-improvement and wealth creation and making money and bettering themselves. However, there is also a need for us to support community enterprises and groups, if that is the meaning of the question.

CHAIR—Yes.

Mr Plowman—Obviously, the Aboriginal and Torres Strait Islander population is not homogeneous. There are many Aboriginal people living in rural and remote Australia in communities that have very little economic infrastructure, and in such places there may be limited opportunity for individuals to enter into business. Therefore, at those places ATSIC is honour bound to try to support community based enterprises and other enterprises that are directed towards the economic development of the community. However, in other places in Australia where there might be more economic infrastructure, there will be the potential to support individuals. I think ATSIC should have a balanced approach wherein we can support both.

CHAIR—Right. Can I ask you to provide us, as soon as possible, with some information on the number of programs of assistance to each stream over the last three years? I am trying to pick an appropriate period of time for you to respond to without going way back. Is the last three years a reasonable starting point?

Mr Birch—I would say so, yes.

CHAIR—Okay, so what I am looking for is whether ATSIC would be kind enough to provide us with information as to the number of programs of assistance—loans, grants or whatever—made in the last three years to each stream, that is, to individuals and to communities, and having regard to the performance levels which you have revealed to us in your submission, will you also provide information as to how those have performed.

I am looking to see whether together we can learn anything from that as to which stream might require some attention, or less attention, or greater thought. It is for that reason that I am asking, not for any other hidden agenda reason. If you could help us on that, that would be very good.

I would also like to indicate to my colleagues that when we returned from Echuca, Swan Hill and Shepparton, having evidence from people from Mildura as well, we were given some allegations about delays that were quite distressing. I asked the secretary, as a matter of courtesy, to inform ATSIC and the Commercial Development Corporation about them because we did not want to take you by surprise. We have done that. I will wait for my colleagues to come in with their own questions but through the afternoon I will come back and ask ATSIC if they would mind responding at this stage on the information they have about the allegations of gross delays et cetera on those matters. It is a very important issue that we want to swap information on.

I would like also to ask you, and I know Mr Catchpole has given you notice of this, when you will be able to give the committee—or if there is a problem you will tell us today—a list of the applications that

currently are before ATSIC and not yet finalised, including the names of the applicants and their locality, the dates the applications were lodged and the progress made in each of those and any indication of any obstacle, roadblock or problem which is delaying the natural progression of that issue. I thought it was better to get all that out as quickly as possible. Reg, are you able to indicate to us how long it might be before you can give us that information?

Mr Birch—I think most of that information is in here anyway up to a certain degree. The first part of it is but not the second part.

Mr Plowman—Not the list of applications that are not yet finalised.

CHAIR—How long do you think?

Mr Plowman—Possibly about two or three weeks. I would just like to put a footnote on the names and get some advice about names for loans and information like that. Maybe I can discuss with the inquiry secretary the availability of that sort of information. But overall in terms of applications, yes, we will get that information to you in the next couple of weeks.

Mr DONDAS—The nature of the applications, not necessarily the names.

CHAIR—Yes, the nature of the applications. That is going to be very relevant to our terms of reference as you would understand and also to your submission about what you think programs should be for the future and what changes you think ought to be made. One of the best ways to start off is to say, 'Where are we at? What have you got in front of you? What is on your desk? What are the problems?' As we travel around Australia I would like ATSIC to have had the opportunity beforehand to tell us from your perspective what you have got rather than us being taken at every community to people who are saying, 'Oh', as they did in Mildura or in Swan Hill the other day with us. Okay?

Mr Plowman—We can do that.

CHAIR—It is my position as chair and that of the members of this committee that we do not want to ambush anyone. We are here to make a positive contribution. If we share with you some of these thoughts now you will understand why we are asking these questions and you will see that they are constructive. They are not, in any sense, to embarrass anyone but, of course, if we uncover delays and problems in administration we will not be backward in coming forward in raising those and dealing with them as we feel we should in our recommendations. Is that fair enough?

Mr Plowman—Yes, fine.

CHAIR—I am going to ask my colleagues to come in at this stage and ask questions.

Mr QUICK—As a former schoolteacher I like turning stones over and finding an answer so I can base whatever recommendations I am making on sound judgment. You list some 17 examples of successful indigenous businesses. I have been going through and underlining some: basically seven casual staff, seven

full-time, a couple manages the hotel, one owner and one full-time staff member, the family owned farm, three full-time staff and one part-time officer, family runs the business, family runs the business, Aboriginal family, the family is fitting out, the owners, the owner. There are 17 there involving probably 60 people tops. I would like to know how much each of those were given in the way of loans. Obviously they are all successful. If they all got \$25,000 or \$50,000 or \$100,000 or whatever it was, we can do a comparison. As we are wandering around Australia we can say ATSIC's view of success is one of these 17 and we have some statistical information.

My guesstimate is that there might be 100 people, probably 60, but no-one knows because there is no detail there. I would like to know the detail so I can make a judgment. For example, No. 10, in 1995-1996 an unstocked dairy farm at Preolenna in Tasmania, where I come from, was purchased by an Aboriginal family and they have worked really hard. How much did they get? Getting into the cheese and dairy thing is not cheap, but if they got \$80,000 and they were successful, then if we go Gippsland and there are some indigenous people we can say to them, 'Get in touch with ATSIC in Tasmania, because they have got a model and it works, and they only charged X number of dollars.' I would like to know those sorts of figures. That is the reason I am asking the question.

Mr Plowman—We will certainly look to provide that information on the funding for each project. But I suppose I would caution against trying to standardise the costs for a job, so to speak, which I gathered you were trying to draw some conclusions from.

Mr QUICK—No; I am trying to develop in my mind a model. If you are growing lucerne for production and sale in the community, there are some costs, and there are sizes of farms that are viable and some that are non-viable. If someone has eight acres and wants to borrow \$500,000, one would assume that their business plan would be hopeless and they would get knocked off. But we heard evidence up in the Murray River region where there was a viable farm, they had equity in it, and the thing was stuffed because of the bureaucratic delays in ATSIC.

I would like to have some information firstly on the number of people that are operating these, because you are touting them as some examples of successful indigenous businesses. I would like to know as many details as possible, so if we are going around the country and we are up to Broome and someone says, 'We are having trouble with this thing,' I can say, 'There is a similar thing operating in the Gulf of Carpentaria—basically, the same sort of climate, the same sort of isolation and the like—and they borrowed this. How much do you want?' and we can work out some strategies. That is the reason I am asking for it.

Mr Plowman—Yes.

Mr QUICK—Following on from that, I have always been interested in the issue of micro-credit. You mention on page 25 targeting microbusinesses. Looking at your loans portfolio, the average loan is \$25,000, the smallest one is \$10,000 and the tops are an average of about \$62,000. How well does ATSIC understand the whole concept of micro-credit? I know for a fact that it is working very successfully in countries that have indigenous people who are poorer than, or as poor as, the indigenous people in Australia—for example, Bangladesh, where it is a very successful program. It is working in the United States of America and their limit is \$US500. You guys are lending \$10,000. Is there any micro-credit—loans of \$500 tops—or are you

like the banks and the credit unions, where you do not even contemplate something as small as that? Do you have any examples of micro-credit in ATSIC?

Looking at your wonderful plan on page 8, if I were an Aboriginal woman in Port Augusta, or Davenport, who wanted to buy a Janome sewing machine to make clothes to sell at the markets and become self-sufficient, that IBIP and BFS process would scare the living hell out of me and I would not even venture a knock on the door of ATSIC. Are you aware of just how successful micro-credit is? In Bangladesh, \$25 does wonders. It has revolutionised the country.

Mr Pak Poy—The answer is yes, we are aware of it, and we have started to do the research into it. But we need to be very sure about that research—

Mr QUICK—I can tell you that 98 per cent of all money borrowed from the Grameen Bank in Bangladesh is repaid. It has the most successful repayment rate of any bank in the world. It is replicated in Peru, where the indigenous people are as poor as the indigenous Australians. It is in India and Bangladesh. It is in Africa. There are international conferences, one of which I attended. I am surprised that you have not. Your microbusiness thing is \$10,000, which in my mind is a hell of a lot of money.

Mr Plowman—I do not think we are saying that \$10,000 is the minimum. If someone came to us with a proposal to buy a sewing machine—the example you gave—we would look at it. We do not provide—

Mr QUICK—But I am talking about your structure—

Mr CAMPBELL—Should that not be handled at the ATSIC regional council level though?

CHAIR—Order! Mr Quick is asking questions. Do not interrupt a member asking questions, but please let the witnesses answer them.

Mr QUICK—I have my style and I am sorry if it is upsetting. The applicant there goes to the regional office. Does it have to be referred to the state commercial unit? Say someone came from Broome and said, ‘There is booming tourism here; I can make some T-shirts and I need two second-hand Janome sewing machines for \$600.’ Could the regional office tick the box and say, ‘It will be here in a week’?

Mr Plowman—At the moment all our loan arrangements are done through the state commercial units because we have found that the regional offices did not have the skills and experience to provide the appropriate level of business support to individuals. But if someone came to us with a small-scale proposal such as you have mentioned, then we would be very happy to look to supporting those sorts of people. I am advised that a lot of the national enterprise initiative scheme businesses started at about the \$5,000 to \$7,000 mark in Australia. I am not quite sure that we could easily promote a business at \$500, but we would be very happy to look at each such proposal on its merits.

Mr QUICK—On page 6 of your submission, it says:

Nevertheless, it takes (on average) 2-6 months to process loan applications from the time of inquiry . . .

Why have you not delegated a simpler business plan than the one on page eight. To my mind, it is a very complicated one. One of the questions I want to ask is: why involve the business agent who is obviously being paid fees twice in the process?

Mr Plowman—First of all, we do not provide that map to applicants who come to see us. I understood the committee was interested in knowing about our processes and we have tried to put that forward to give you some indication of the steps that they go through. Not all our applications are at the low level. We have from low level applications to applications of half a million dollar or more, so we obviously like to assess such things for viability. I agree with you that our two- to six- month limit is probably a bit too long. I am just starting a consultancy to look at our processes and arrangements so as to decrease that time and make it more relevant for the people who come to us.

CHAIR—As you are the general manager of this unit, Mr Plowman, could you just give a thumbnail sketch in about 30 seconds of your background in administration and management?

Mr Plowman—I have worked in Aboriginal affairs most of my working life. I started with the Department of Aboriginal Affairs in 1972. It was the Office of Aboriginal Affairs at the time. In 1981 I resigned and went overseas. After being a project officer throughout various places in Central Australia and New South Wales, in 1983 I joined the Aboriginal Development Commission where I became, up until 1989, the state manager of the ADC. We were responsible for both business and enterprise proposals and funding and also housing loans and housing grants. In 1990 when ATSIC was formed and took over the functions of the ADC and put them in with the Department of Aboriginal Affairs at that time, I became the state manager for Victoria and Tasmania.

In 1992 I became the assistant general manager of the housing infrastructure health and heritage branch. I am responsible in normal terms for funding our housing infrastructure programs. Recently I have been acting in the general manager's job. I have a Bachelor of Arts from Sydney University and a Master of Business Administration from London University.

CHAIR—So you would describe yourself as a very experienced administrator. Do you have any training and experience in hands-on banking and business administration?

Mr Plowman—I have never worked in a bank, but I certainly have worked in commercial programs in Aboriginal affairs, for many years.

CHAIR—Don't get defensive; I just need to have the basic knowledge of the sort of people administering these sorts of programs.

Mr MELHAM—I would make the comment that Mr Plowman, on what he has just said, is well qualified to administer the programs. Mr Pak Poy, you were asked a question by Mr Quick earlier and I got the impression that you had more to say in relation to some trialling that you were looking at.

Mr Pak Poy—We have actually started research into what Mr Quick was speaking about, the micro-credit.

Mr MELHAM—That is what I am interested in.

Mr Pak Poy—We have some way to go on that, I admit. That was just in response to your question of whether we knew anything about the micro-credit.

Mr MELHAM—How did that come about?

Mr Pak Poy—It was just part of our normal review of the program, with the fact that we did get comment from people who were applying through the business funding and the IBIP scheme. Once those comments were taken on board we then started the process.

Mr MELHAM—Would you just explain to the committee what that process is and where it is at.

Mr Pak Poy—We have a section called the economic policy section which is, through the Internet, going into any of the web sites that have anything to do with micro-credit and getting all of that information together. We have had people like Chief Peter Quaw, from Canada, come over and talk about the Canadian experience, we have had people from New Zealand at the OECD conference in Darwin giving us their experience, and we are using all of those contacts to get a picture together.

Mr HOLDING—What would you regard as the upper limit on micro-credit? If we talk about micro-credit, are we talking about \$500, \$1,000, \$5,000, \$10,000? What are we talking about?

Mr Pak Poy—Mr Holding, I think it depends very much on your definition of micro-credit. We, at this stage, have not found a definition that is universal. You would note that in the paper we talk about a micro-business as being one which employs fewer than five people. That is not a recognised standard across Australia, or anywhere. Then we talk about small businesses, medium businesses and large businesses. So we would have great difficulty in defining an exact amount for micro-credit.

Mr HOLDING—One of the matters on which I take issue with Harry about on Bangladesh, in that the situation in Australia is quite different, is the fact that there are unemployment benefits which Aboriginal people can access. Based on my experience of Aboriginal communities, it would have to be a bit odd if you were able to get an unemployment benefit upon which you lived and then you said, 'I want \$600 to go and buy a machine in order to try and make some goods to sell at the local market.' I just do not think that is within the framework of the kind of experience that Aboriginal people have.

Mr Plowman—The smallest loan we have made is \$2,000. I think we agree with Mr Quick in principle, that we should be trying to find options for individuals to be able to enter at the lower end. I just think we need to do more work on getting to that stage of being able to offer products where people can be successful. I think the greatest problem would be for us to offer products where people do not succeed.

Mr QUICK—Is there a perception amongst the indigenous people that it is no good applying for a loan unless it is in excess of \$10,000? Is that a general understanding in the community?

Mr Plowman—I cannot speak for everyone.

Mr Birch—It depends on the background of where the indigenous people come from and their exposure to the outer world.

Mr HOLDING—Say you are from a small country town in Victoria, and you are an Aboriginal person who has had a bit of experience fixing up old bombs. There is an opportunity at the local garage where you could get in, maybe, for \$20,000 and start a repair business of sorts. How long would it take you, given the location, to actually get a fix on whether that is likely to be a viable exercise or not? Do they come and see you or do you send an officer out? They are the sorts of problems that you confront. I am just interested to know how you deal with it and how long it takes, because there has been some criticism—that is inevitable in this sort of structure—that it takes too long and enthusiasm wanes, and all the rest of it.

Mr Plowman—In Victoria they would approach our state commercial unit, which is in our state office. It is a state and regional office combined, if you like, so it is one office. From there they would send it to the business agent. I imagine the length of time would depend on the complexity of it. If it is a reasonably non-complex or simple proposal, it would be at the lower end of two to six months.

Mr HOLDING—You talked about a business agent. Can you tell me about that. Who is the business agent? Are they Aboriginal people or are they people you employ, who basically go out into the field and advise, or what?

Mr Pak Poy—No, they are different business agents for each state, and they are selected by tender against set terms of reference.

Mr HOLDING—How much do you pay them?

Mr Pak Poy—It varies for the different states. Round figures for the last financial year would be in the vicinity of \$2 million to cover the whole of Australia. You have firms like Deloitte Touche Tohmatsu; they are our business agents in the Northern Territory and in Queensland.

Mr HOLDING—When you say ‘business agents’, what exactly does that cover—a range of experience or particular experience?

Mr Pak Poy—The business agents have to have experience not only in business as such, but in the financial side and the marketing side, and what they do for us is to go out and make assessments against applications that are put in. Then they make recommendations against a set of criteria.

CHAIR—Mr Campbell.

Mr CAMPBELL—Mr Pak Poy, I am interested that you delve in the Internet. Wouldn't a much more rational and expedient method be simply to delegate somebody to be attached to the regional council, with a small capital base? The reason that you have a 98 per cent repayment in Bangladesh is peer group pressure; that is the main reason the money gets repaid. You are much more likely to get that at that council level. Rather than delving in the net, why don't you actually look at putting in place something in the regional councils?

I think your director said that you do everything from the state. I know that in Kalgoorlie the ATSIC council does make recommendations for money, and it is certainly handled much more quickly than you are suggesting. It seems to me what you should be looking at doing is utilising the regional council. That is the first point.

CHAIR—Just a moment. Answer that question, please, and then Mr Campbell can have the second leg after the answer.

Mr Plowman—If I can respond: I think that in this, when we are looking at our processes and the way we are doing things for a greater emphasis on micro-business, it might be a good idea to have a look at whether there are easier ways and ways that are closer to the client to provide that sort of more immediate response. We will certainly take that into account. It sounds like something that we can consider.

CHAIR—Mr Campbell.

Mr CAMPBELL—The next one I have got is this. I want to tell you what really happens out there. ATSIC have got a habit of defaulting communities on CDEP projects, who are the communities that basically need help. They are not the communities where big frauds are occurring; they are the communities that just do not know how to handle the paperwork. Yet they are defaulted by ATSIC.

A couple of years ago, I was fortuitously on the scene and we actually stopped them cutting off the money supply from the community at Yagar. The outrage in ATSIC was that this community had used money that was for another purpose to buy fuel. They said that they had permission from the man who supervises them in the ATSIC office, but there was nothing in writing. They were out there to read the riot act and cut the money off. We argued that it was the sensible thing to do—interestingly that was the community in the Kimberley that did not run out of fuel.

It seems to me that you have no capacity out there for assisting people in these areas. On the other hand, where blatant frauds occur, nothing happens. I will just give you a couple of examples of blatant fraud. Wiluna is an instance—the money that has been wasted in that area. I must say that it is not only you. I got onto the fraud squad and ATSIC said, ‘Well, we know all about this but we really cannot get involved.’ They said that the money was chuck-in money. That money came directly from ATSIC benefits. They knew all about it, but they would not get involved. Consequently, five years later the police have done nothing.

The next area of concern is this—

CHAIR—Before you go on, would the witness comment on what Mr Campbell has said?

Mr Plowman—We are not aware of that particular circumstance, but—

Mr CAMPBELL—Would you like me to give you another dozen?

Mr O’Ryan—We are more than happy to have a look at those sorts of—

Mr CAMPBELL—Well it happens all the time—

CHAIR—Order! The witness has not completed his response.

Mr O’Ryan—We are more than happy to take on those sorts of things. Obviously, from a national level, I am not aware of all the things that go on on CDEP and there might well be reasons why a particular issue was not investigated or the like. If there are things you want us to look at, we are happy to do that.

CHAIR—Right. We will take it that Mr Campbell wants a response to the matter that he described.

Mr MELHAM—Perhaps, Mr Chairman, he would need to particularise it a bit more and give the officers a bit more detail so that they can follow it up.

Mr CAMPBELL—Right; I will do that right now. This goes to the other area of what I consider the lack of expertise in ATSIC. Reg will know all about this case. It is a farm at Kununurra which ATSIC had for years and it was wasteland. It was cleared land when they bought it and they let it go back, so it basically had to be cleared again. Then a regime was put in place where some of it was leased out but a lot of it was taken for a mango farm.

If you are a white farmer and you are going to grow mangoes, you know that it is going to take you seven years to become financially viable and you have to know that you have got the wherewithal in place to carry it for that time. What ATSIC does, however, is that it makes the money available and then it threatens to cut it off all the time, so the place cannot run in a coherent way and the people get demoralised. At the time when capital should be put into it, it is cut off. I can give you quite a lot of examples on that.

CHAIR—Just pause on that point. I am trying to be fair to both my colleague and the witnesses. That seemed to be a set of propositions from Mr Campbell. Can you respond?

Mr Birch—Perhaps I should go back to the first instances that you raised. I think everybody should know that according to the laws of this land, all those Aboriginal organisations regarding Yagar are Aboriginal corporations and are entities within their own right to look after their own businesses. That is where ATSIC cannot move and actually tell them what to do. Once that funding process is put in place, that is where it ends. They have that sole responsibility themselves to hire and fire who they will and who they will have in charge and who will manage their business. That is where it seems to end.

Mr CAMPBELL—That is not what happened, though, Reg. ATSIC went out there to cut off their CDEP funding because they said they had breached the guidelines. Technically, they did breach the guidelines—

Mr Birch—Yes.

Mr CAMPBELL—Very sensibly. What you see happening is that ATSIC buys farms at well above the commercial rate and puts in Aboriginal people without any guidance—like throwing them to the wolves.

Mr MELHAM—Where is the evidence that they are buying above the commercial rate?

CHAIR—Order! There are two questions there. Can you answer one first: does ATSIC know of purchases, funded by it, of farms at a higher rate than their market value?

Mr Plowman—I am not aware of that. We do not have the land—

Mr CAMPBELL—Not anymore you do not, no.

Mr Plowman—program anymore, Mr Chairman and Mr Campbell. I understand that when we did have it there were very strict guidelines about how much we paid, and they were based on valuations.

CHAIR—Right. On that basis, I am going to ask that Mr Campbell make available to the committee, and therefore to ATSIC, details of the properties that he is concerned about. We will then ask for a specific written response on those, and enable Mr Campbell to pursue his questions when those responses become available.

Mr CAMPBELL—Mr Chairman, that is not satisfactory, because I will tell you how it happens. You answered the question yourself—we work on valuations. Can you—

CHAIR—Order! I have directed that the witnesses be given the opportunity to respond to specific properties that Mr Campbell is referring to. I would ask Mr Campbell to identify the properties that he is referring to, or, if he would like some time, he can come back and I will accommodate him. I am not going to allow any members of the committee to use the time of public hearings to make long dissertations—which are very interesting and they can make submissions in their own right; I will facilitate that. But when we have witnesses here we have business to do, and we are trying to do it in a constructive way. Please bear that in mind, Mr Campbell. Do you wish to proceed?

Mr CAMPBELL—You are very limiting, Mr Chairman.

CHAIR—It is a bit of discipline. It does us all a bit of good.

Mr CAMPBELL—It is not discipline. In fact, what it does is that it means you do not get the truth. If there is a valuation—

CHAIR—Mr Campbell, please put your specific questions. I am giving you the opportunity to do that.

Mr CAMPBELL—All right. Exactly what facilities do you have to assist people to whom you make loans, and why is it that there is such a high failure rate? Is it because Aboriginals are generally incompetent, or because they are not being given the services that they should be able to expect? What capacity do you have?

Mr Pak Poy—We have a system, Mr Campbell, where through the business agent's assessment we

then know what sort of training and assistance the applicant requires. In the IBIP program we require the applicant to go through a NEIS assessment and if he or she requires training then that is given before the application is processed. If the applicant has prior experience that is recognised too. After the loan is actually made, then there is a mentoring and monitoring process that takes place as well.

Mr CAMPBELL—I have never seen any evidence of that. I would like to know where that does operate. Perhaps it just does not operate in Western Australia.

Mr HOLDING—Where do you get your mentors from?

CHAIR—Excuse me. Mr Dondas has the call.

Mr Pak Poy—We attempt to get mentors from the indigenous community in the particular area. If that is not possible, then we ask that the business agent talk to the applicant and work out a suitable mentor that way.

Mr Plowman—Mr Chairman, perhaps we could help Mr Campbell—not now, but by coming back with some written details of some mentoring arrangements in Western Australia that might illustrate the point. I do not have them off the top of my head but if we could ask our Western Australian office to provide that there might be some specific examples that could actually help and provide us all with assistance.

Mr CAMPBELL—That would be useful.

CHAIR—That would be great.

Mr QUICK—While you are doing that—

CHAIR—Mr Dondas has the call.

Mr QUICK—It is on the same thing.

CHAIR—Mr Dondas has the call, I am sorry.

Mr DONDAS—I defer to Mr Quick.

CHAIR—Mr Dondas deferred to Mr Quick. Mr Quick.

Mr QUICK—On page 6 you say in relation to all these wonderful things:

In addition to this, ATSIC:

- . lends money at concessional interest rates;
- . pays for the first \$500 of legal fees;
- . pays for the first \$1000 for valuation;
- . provides aftercare assistance to our clients in the form of
 - . monitoring;

- . mentoring; and
- . expert industry advice.

Could you tell us, along with what you are providing to Mr Campbell, how many there are in each state and where they are situated. Are they all in the CBDs of Perth, Brisbane, Adelaide, Melbourne and Sydney?

Mr Plowman—It is my understanding—I am not fully across this—that we do not necessarily have individual people for the whole range of businesses but we would be seeking case-by-case assistance.

Mr QUICK—You mentioned, on page 12, all the venture types—agricultural, pastoral, fishing, mining, manufacturing, crafts, food processing, building, public transport, shipping, retailing and so on. Is there a mentor in place in each state for each of those?

Mr Pak Poy—No, there would not be one mentor in the state for each of those. It is based on the assessment of the case as to whether the mentor is required or not, and discussions with the applicant.

Mr QUICK—So despite the fact that 30 per cent of the loans provided are in default or have been written off, you have not got to the stage where, even though you say that you have monitoring, mentoring and expert industry advice, you have that for each of those individual venture types?

Mr Plowman—What we have, Mr Quick, is a single mentor for each individual borrower, if you like, for the first 12 months of the loan. That is specific to that person, not necessarily specific to an industry type.

Mr QUICK—In view of the fact that 21.8 per cent of the number of loans in the venture type are in the building industry, how many building industry mentors do you have?

Mr Plowman—These are the types of loans since 1970 that are mentioned here. We provided these mentor arrangements in the post-1993 reforms.

Mr QUICK—That is 27 years ago. One assumes when one gets a document that the figures are up to date and relevant.

Mr Plowman—They are relevant.

Mr QUICK—You say that there are 160 agricultural venture type. Twenty years ago how many of them were there? How many are there now?

Mr Plowman—Mr Quick, they are relevant. We clearly state that since 1970 we have provided 1,457 loans, and we have tried to give some indication of in what—

Mr QUICK—But I mean—

CHAIR—Let the witness answer the question.

Mr Plowman—groups the ventures are in over that time, Mr Quick. If you want what were given now or over the last two years I can try to provide that information, if you think that is more relevant, but—

Mr QUICK—I think that is absolutely relevant, if we are wandering around Western Australia and we can say to the ATSIC people over there, ‘I understand that there are 16 agricultural, 12 pastoral, two shipping, four retailing and 16 professional services operating in this state.’ I would not know. Of the 1,457 since 1970, how many are still going?

Mr Plowman—We have got 403 active loans. If you look up at the top of that page, Mr Quick, you will see that we have 403 active loans. We have some that have been completed.

Mr QUICK—Why are they not broken down into venture types?

Mr Plowman—I do not think we necessarily have that matrix of information since 1970. We have tried to—

Mr QUICK—No, I want to know this: I would like a 1998 breakdown by venture type. If you cannot do that, you are running a pretty poor bloody show. That is all I can say.

CHAIR—Order!

Mr QUICK—No, I am serious.

Mr Plowman—I did not say that we could not do that.

CHAIR—Order! Just a moment. The witness will be able to answer the question while I am in the chair. Let him answer the question.

Mr Plowman—We will certainly try to provide that information, just as we will try to provide all the other things, Mr Quick.

Mr QUICK—That would be far more relevant than providing me with a document highlighting 27 or 28 years of loan agreements.

Mr Plowman—I think it is reasonably relevant to show the types of ventures that ATSIC and its predecessors have funded within the industry types over the years. That is important information—for people to see in what activities Aboriginal and Torres Strait Islander people have entered into business supported by ATSIC. I see that as important information.

Mr QUICK—Okay. Following on from that—

CHAIR—Just before you go on. So it is understood that you will provide, at the request of Mr Quick, to the committee, the further breakdown of information which he seeks?

Mr QUICK—Could you also, while you are doing that, divide them into active, inactive, completed and written off. Could you also—

Mr Plowman—I will try to.

Mr QUICK—No—

CHAIR—Let Mr Quick put the question to you now. Do not interrupt him.

Mr QUICK—I am sorry, you say that you will ‘try to’. We want you to—end of story.

Mr MELHAM—Maybe he cannot. Maybe there were different figures compiled, Harry.

Mr QUICK—Surely he could tell me how many active loans there are in 1998, for goodness sake, or in 1997. How many did you write off last year? How many were completed? How many were successful? Surely you have got that information. I am not being a pain in the bum; I want to know.

CHAIR—Order! Let the witness respond.

Mr Plowman—I have got some advice here. It is likely that we can provide you that information since 1990, when ATSIC was formed; as to whether we can provide you with that sort of matrix of information pre-1990 there is some doubt, but we will certainly look into it and see if we can—

Mr QUICK—No, I want information that is right now—in the last 12 months.

CHAIR—Contemporary, okay?

Mr Plowman—I understand that. I will certainly try to do that.

CHAIR—Thanks very much. I thank Mr Dondas for being patient. Mr Entsch is after Mr Dondas.

Mr DONDAS—I found that last question and answer very interesting, Mr Chairman. I do not know, I thought I was pretty dumb, but I looked at table 1 and we go through to table 2 where we have got expenditure for four financial years. I would have assumed that those four financial years would have equated to the number of loans in the 1,457 loans, but I have since found out that these 1,457 loans go back some 27 years. I thought ATSIC was giving us information in terms of how they see themselves in terms of providing infrastructure and support for indigenous communities. So I would have thought this paper might have started from ATSIC’s time and come up to now. I am actually quite surprised that we are now talking 27 years, because the figure that we have got now, 1,457, really becomes superfluous in 1998.

I want to ask you a question, the same question as was asked by Mr Quick. We look at written off and inactive, which total about 27 or 28 per cent. That might not be the same figure today in 1997 or 1998, with better accounting methodology, with better processing of applications. You have got all the history where records may not have been kept properly, where loans may have been given out willy-nilly, congesting

1997-98, where the committee is trying to ascertain whether there is a formula for ATSIC to provide infrastructure to indigenous organisations.

The information that I would like, I would like to be current. You have got your four financial years as described on page 10, tables 1 and 2. I would like to know the number of loans that equate to that amount of money that has been extended; what happened to \$17.9 million in 1994-95; where the \$20.1 million went in 1995-96; where the money went in 1996-97—the \$20.3 million—and then of course, the building business funding scheme and the indigenous business incentive program for 1997-98. I would like to know the number of applications there, how successful they have been, and the nature of businesses, because I cannot go back 23 or 24 years in my thought process.

Mr Plowman—I understand that. I have got here a list of loans by industry type for 1996-97, if members would like a copy. I have only done them under industry type and amount.

Mr QUICK—That is fine.

Mr Plowman—If you would like that information.

CHAIR—There is a document being tabled by the witness. It is headed 'Business funding scheme loans approved in 1996-97 (by industry type and amount)'. Is it the wish of the committee that the document tabled be accepted as an exhibit and received as evidence to the inquiry into indigenous business? There being no objection, it is so ordered.

Mr DONDAS—Mr Chairman, I would like ATSIC to provide us, as a committee, with the tables they have exhibited in this document as presented to us on an informal basis yet to be confirmed, but to be more current, say, for the last four years, because I think that will give us a better picture.

CHAIR—Do you agree to seek that information?

Mr Plowman—Yes, I do. I was wondering, as we have been asked before for something for three years, could I do it for three years, or do you particularly want it for four years?

Mr DONDAS—I am happy with that, the last three years.

CHAIR—Thank you, that is kind of you.

Mr DONDAS—The question I was going to ask, in terms of the CDC, which is another organisation which is obviously intending to expand their provision in terms of providing support to indigenous business organisations, is whether ATSIC itself is too busy with the provision of housing, health, education, administration? Would it be better if the actual level of funding was hived off which went to the CDC for indigenous business?

Mr Plowman—I do not think I could say that ATSIC is too busy. ATSIC has a social, economic and cultural development charter. It has a responsibility across those spheres. If one were to hive off this sort of

activity from ATSIC, you would suffer some risks. We have important linkages between employment and commercial programs through CDEP and elsewhere.

Clearly, this is a matter for commissioners. The board of commissioners would have very strong views on something like this, I am sure. But, to do that, you would take away the important linkages between all of ATSIC's programs. I could argue that housing and infrastructure programs provide employment and training opportunities and business opportunities for Aboriginal and Torres Strait Islander people throughout Australia. So it is good to have the link between our housing programs, for instance, and our commercial programs.

CDEP is the most obvious. We are just looking into a business development program through our CDEP. If you take away that, you lose that extremely important link, particularly in remote areas, for the linkages between the whole range of things that ATSIC does. We have a network of regional offices and state offices that can provide a whole range of administrative support.

For policy reasons as well, in terms of linkages of objectives, I think there are good reasons for keeping them together. But, at the same time, of course, those are the things that might be considered in a type of model and be wanted to be considered by the board, but it is really a board decision to consider something like that. It used to be that they were apart, and then they were brought together. There are many structural ways of doing these things.

CHAIR—In view of the time and the importance of the issue that Mr Dondas is developing, can I suggest, at our next meeting with ATSIC, that the commissioners be able to enter into dialogue with members of the committee on this very important issue. I can foreshadow to you that we have already had substantial submissions suggesting that the commercial programs of ATSIC be rolled into the Commercial Development Corporation, and you will hear evidence of that this afternoon. It is a very interesting issue and one that, I think, we will require a substantial response to. Mr Dondas, are you happy with that?

Mr DONDAS—Yes, I am happy with that.

CHAIR—Okay. So that is our next meeting. It will be on the agenda, and we will be very interested to get the commissioners' advice on that.

Mr DONDAS—I am still wondering what is an unclassified type of loan.

Mr Pak Poy—Unclassified—where was that, Mr Dondas?

Mr DONDAS—On page 12, table 4, number of loans and venture type, unclassified—8.

Mr Plowman—Just ones that probably do not fit into the others, I suppose.

Mr Pak Poy—That was where we could not fit it into any of those designations.

Mr DONDAS—What would they be?

Mr Pak Poy—I am sorry, Mr Dondas. At this stage, we really have not got any idea. We just could not classify them into those ABS types.

Mr Plowman—This comes from our systems. We will try to find a couple of examples and bring them back.

Mr DONDAS—It might have been 1971 stuff.

Mr Plowman—Could have been way back.

CHAIR—Thank you, Mr Dondas. Just on that, before I call Mr Melham, I will indicate to you also that, at our next meeting, I would like you to please clarify table 3 where, for example, you have stated that there are 403 active loans but, when I read the description of what an active loan is, I see that it includes current loans—that is, those still making repayments. It also includes those borrowers who have entered into an arrangement regarding repayments. I would have thought all borrowers have entered into an arrangement regarding repayments, so I presume they are in default.

Mr Plowman—Yes.

CHAIR—And it includes those borrowers who have been referred for legal recovery action. I just want you to know that I regard that indication of active loans as an indication that active loans are not 403 at all. I am going to ask you at the next meeting to provide the committee—and hopefully before the meeting—with actual numbers in each category. Thank you very much. Mr Melham now.

Mr MELHAM—Thank you, Mr Chairman. I basically think I should seek your indulgence on this as well—

CHAIR—That is okay.

Mr MELHAM—because it is not just a question; I suppose it is a comment. On page 11, you point out that, since 1970, ATSIC and its predecessors have provided 1,457 loans worth \$80 million—so that is \$80 million over 17 and a bit years, I take it.

Mr Pak Poy—Twenty-seven.

Mr MELHAM—Twenty-seven. I suppose that pales into insignificance compared to the Department of Defence in 1995-1996, who overran their budget by \$100 million in one financial year.

Mr Pak Poy—I think it is a bit different.

Mr MELHAM—No, I just make the comment. That is why I sought your indulgence, because there is a bit of a double standard.

CHAIR—Mr Melham has got some indulgence from me, so please proceed.

Mr MELHAM—They overran, and it was not investigated because it was only three per cent of budget.

Mr Pak Poy—Yes.

Mr MELHAM—Thank you, Mr Chairman, for that indulgence.

CHAIR—Mr Melham has made a strong plea in mitigation, which is noted. We try and be as friendly and as informal as we can, but, understandably, sometimes we have got to come in with a bit of a crunch; otherwise we will never get anywhere. Other questions?

Mr QUICK—We are always looking for examples as we wander around Australia of what they call—horrible euphemism—‘best practice’. You have produced those 17 examples.

Mr Plowman—And the four CDEP projects .

Mr QUICK—You mentioned the building industry, which obviously takes a heck of a lot of the percentage. Can you provide us with examples of communities where they have got it right? We went to Echuca, Swan Hill and a few other places the other day and we were going in blind. By the time the end of the two days came up we had a rough idea of what it was like but if we had a sort of a street map showing best practice—not the worst, the best—as we were wandering around the country we could talk to people and say, ‘How long did it take? Is it a huge 15-year process to get this up and running? How did the mentors help? Did you fall over a couple of times and pick yourself up?’

I see my role and that of the other members as acquiring as much knowledge as possible so that we can talk to you on the same wavelength. At the moment our wavelengths are all over the place and occasionally we hit a mark and we get, for example, this. If I had not persevered or tackled something I was interested in, that would not have jumped out. We got it straight away. It would have been nice to have seen that first rather than two hours after we started. That is not a criticism. If you have got some best practice I would love to visit it. I am also on a couple of Aboriginal native title and community affairs committees looking at Aboriginal health and they are all interrelated.

Mr Plowman—Certainly.

Mr QUICK—You just do not say business is business and nothing else matters. It is a community with health, education, sewerage, roads and the whole lot. That is my request.

CHAIR—I have a quick comment and then I am going to call Mr Entsch and then Mr Smith.

Mr Plowman—Some of these people that we have put in there as successful have indicated that they are happy to talk to other people and yourselves so if we have some indication of where you are going we can probably identify some successes or otherwise in community organisations around those areas and see if we can help sponsor or broker a visit from you to them. I could work with the inquiry secretary on that and try to help in that regard.

CHAIR—Thank you.

Mr ENTSCH—I have one question that you may not be able to respond to now. It is a complaint that I get fairly regularly up in the electorate regarding the acquisition and operation of pastoral properties. The complaint is coming from the Aboriginal people and I will give you one very good example, which is Meripah. Wompi Keppel is the fellow who has that lease. The property was purchased for him by ATSIC. One of the complaints that they have is that there has not been in all the years he has had it any operation funding for that.

There is another problem with Bonnie Glen where there has been some money put into it but there has been a real problem there. As a comparison there was another one called Kondoparinga which was acquired for the Grainer family and there has been literally millions of dollars invested into that one. I know Wompi, for example, has been desperately trying to get something to get going there. He has some of the best pastoral country in the Cape and he just cannot get a leg up. That is his advice to me. I would be very interested to see that—and there are other ones I have as well where there is that same sort of criticism. I have a similar sort of criticism from Glen Garland and a number of other Aboriginal people. What they are saying is basically that they are assisted to buy the properties but then basically ATSIC dumps them and does not in any way allow them to achieve economic independence. I would put it on notice if I could. I am interested in your side of it because I am getting only one side.

And I have one other quick comment. I would like to congratulate you on investing in the Tjapukai one that you did recently in Cairns after it was knocked back by the land fund. You guys stepped in, and I congratulate you for it.

Mr Plowman—Thanks.

CHAIR—That will be a matter that you will respond to the committee on.

Mr Plowman—Absolutely.

CHAIR—And, similarly, to the ones that Mr Campbell raised. Mr Campbell, I understand, will also provide further examples seeking responses from you. Thank you.

Mr TONY SMITH—I would like to know a couple of things about the definition of loans. When you speak of active loans, a question was asked already about that. Does an arrangement regarding repayment where legal action is involved include a settlement which could involve payment of less than the amount that is owed?

Mr Plowman—No, it would not be a reduction in the amount. It is where they would be paying an additional amount. As well as their normal repayment, they would be paying an additional amount to pay back whatever arrears there might be, and they are maintaining that arrangement. That is my understanding of 'active.' It is not a reduction. That is not settlement.

Mr TONY SMITH—You can say unequivocally that, notwithstanding the mention of legal action—

knowing legal action as I do, frequently it settles on certain bases because of the costs of legal action—in every case, not one cent less than principal and interest is involved?

Mr Plowman—I do not think I should say that unequivocally, Mr Smith. It is my very strong understanding that that is not the case. There are circumstances, of course, where we are pursuing borrowers where it is not economical for us to pursue the full amount or whatever. But it is not clear to me that they are in the active category.

Mr TONY SMITH—They would not be?

Mr Plowman—No.

Mr TONY SMITH—You are not quite sure whether they are or they are not?

Mr Plowman—You have asked me for an unequivocal statement. I do not really want to give that at this time. But I am certainly able to look into it.

Mr TONY SMITH—Yes. Can that be checked and, likewise, in relation to completed loans? Can you say unequivocally that that relates to a fully repaid loan as opposed to one where a settlement has been entered into—or part of the loan—and, as far as the parties are concerned, that is a fully repaid loan?

Mr Plowman—The ones that are written off would be circumstances where we have a—

Mr TONY SMITH—I am talking about completed.

Mr Plowman—Yes, I understand that. But, if you look at that written off category, that is where we would take some of the loan balance and write it off, and therefore do not pursue the recovery of that. We accept that that will not be recovered. That is the category I think you are referring to when you are saying that we are not seeking the repayment of all of it. So that category is covered under ‘written off’, I believe, Mr Smith.

Mr TONY SMITH—You will be able to bring your resources to bear to give us a breakdown in relation to those numbers.

Mr Plowman—Over the last three years, I understand.

Mr TONY SMITH—Yes, and in particular to address those points I just made in relation to the terminological position about whether it is a settlement or otherwise. You are going to look into that.

Mr Plowman—Mr Smith, what I will try to do will give a more detailed understanding of those definitions, and that may help us do that. There are 1,400 loans there. There may be one that is difficult. That is why I do not want to give an unequivocal guarantee.

Mr TONY SMITH—That is fine.

CHAIR—Gentlemen, with your indulgence, I would like to share a couple of things with you. We have witnesses who are scheduled to come on at 5.30 p.m.—the Aboriginal and Torres Strait Islander Commercial Development Corporation. If members agree, what I propose to do is thank ATSIC witnesses today; indicate that the committee has, with some intuition, reserved Wednesday, 25 March at 4 o'clock for a continuation of public hearings; and I will—with my colleagues' consent—ask ATSIC to return to us at 4 p.m. on Wednesday, 25 March. I ask that ATSIC make available as much of the information as has been requested through this hearing several days before 25 March so that the secretary can distribute it to members. I look forward to seeing you or your fellow commissioners at that time. I thank ATSIC for their attendance so far.

I now call the Aboriginal and Torres Strait Islander Commercial Development Corporation. I have to do that because we are going to lose members for quorums and such things, and I think also that Mr Elu might have to travel back to the Torres Strait Islands tonight so I am anxious to get him on his way.

ATSIC is welcome to stay. It might be in your interests to stay. Having read the submission from the corporation, I think you should stay.

[5.45 p.m.]

ELU, Mr Joseph Benjamin, Chairman, Aboriginal and Torres Strait Islander Commercial Development Corporation, PO Box 38, Woden, Australian Capital Territory 2606

MORONY, Mr Ronald Arthur, General Manager, Aboriginal and Torres Strait Islander Commercial Development Corporation, PO Box 38, Woden, Australian Capital Territory 2606

MYERS, Mr Ian Allen, Deputy General Manager, Aboriginal and Torres Strait Islander Commercial Development Corporation, PO Box 38, Woden, Australian Capital Territory 2606

CHAIR—Welcome, gentlemen. Thank you for waiting. Although the committee does not require witnesses to give evidence under oath, you should understand that these hearings are legal proceedings of the parliament. Giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Before we ask you some questions, do you have an opening statement that you would like to make?

Mr Elu—Yes. Mr Chairman and members of the committee, let me start by thanking the committee for this opportunity to appear before you today. The CDC was established by the federal parliament to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency and to advance the commercial and economic interests of Aboriginal persons and Torres Strait Islanders by accumulating and using a substantial capital asset for the benefit of Aboriginal and Torres Strait Islander people.

While it was established under the broader ATSIC legislation, it is a completely separate organisation with its own board that is appointed by the minister, and with a separate and specific responsibility set down in that legislation.

We have the Aboriginal and Torres Strait Islander Commercial Development Corporation submission which sets out our view for future directions in the Commonwealth government's continued involvement in providing support for indigenous Australians who seek to enter the business world. Our submission reflects, we believe, many collective years of experience in indigenous economic programs. It also reflects on the experiences of Canada, which has similar programs which we can learn a few lessons from.

Before turning to the specific recommendations in our submission, I would like to say a few words on the importance of the Commonwealth remaining in the field of indigenous business development. Involvement in business provides indigenous people with opportunities at various levels. It can provide employment, including self-employment, where opportunities have not traditionally existed. These opportunities arise not only for persons entering the business but also for others who may benefit from job creation. It can provide training and skilling opportunities applicable not only to immediate business and employment opportunities but also to future opportunities. It can provide joint venture opportunities which can encourage participation in industry, some of which may have been previously avoided because of perceived challenges in doing so. It can provide for income retention in families and in communities.

Your committee, as one of its terms of reference, has been asked to examine any barriers to the establishment, acquisition or development of indigenous controlled businesses or businesses in which indigenous people are joint venture partners.

As the committee is no doubt aware, the poor socioeconomic circumstances which exist for many indigenous people will continue to be the major hurdle in accessing mainstream financing. These socioeconomic circumstances result in a lack of capital combined with insufficient assets to offer as a deposit or security for loans. There can be mutual difficulties for many indigenous people and lending institutions due to a lack of understanding and communication skills between the parties. This is often compounded by low self-esteem, inadequate skill levels and a lack of formal training. We have certainly seen evidence of good business ideas not being pursued due to a lack of skills for fundamentals such as business planning and managing cash flows. While these fundamental issues remain, there is a compelling argument for the Commonwealth government to remain in the field.

Turning now to the recommendations made in our own submission, it is important to emphasise that our approach is underpinned by four fundamental views held by the CDC. These are: firstly, given the adverse socioeconomic circumstances faced by most indigenous people, participation in mainstream commercial activities offers a means for some people to break free of welfare dependency; secondly, the Commonwealth's commercially orientated programs for indigenous people should be administered by the one organisation to enable more effective and efficient program delivery; thirdly, these programs should be separated from socially orientated programs as much as possible so that program objects are not confused and programs outcomes consequently placed in jeopardy; and, finally, indigenous commercial programs require strong mechanisms to meet community service obligations that are central to the rationale of having the programs at all.

Against this background, the CDC believes future policy for indigenous commercial programs should: firstly, set goals separate from social considerations; secondly, provide opportunities for indigenous people to participate in commercial activities as a means of reducing reliance on welfare programs; thirdly, not set unrealistic short-term performance outcomes on the basis that, as in education, full benefits for indigenous people from assistance with business participation might occur in the longer term; and, fourthly, include a recognition that effective support mechanisms need to be put in place for indigenous entrepreneurs who access indigenous commercial programs.

Bearing this in mind, the CDC proposes that government should establish a new, commercially focused organisation bringing together existing programs and providing a basis for more effective utilisation of existing funds to secure long-term outcomes. This new structure, as well as administering a range of related indigenous specific commercial programs—that is, those currently administered by ATSIC and the CDC, but excluding the ILC—could provide a capital base for indigenous economic development.

Currently, resources, both capital and human, devoted to indigenous commercial programs are somewhat fragmented. Drawing these resources together in one organisation would result in programs being managed more effectively through accumulating a greater spread and depth of commercial expertise, and greater financial leverage in the commercial sector. We also believe that the programs would be delivered more efficiently through achieving economies of scale. The new structure might embrace ATSIC's business

development programs and housing fund, current functions of the CDC, the management of investments of the Aboriginal and Torres Strait Islander Land Fund, the management of investments of the Aboriginal Benefit Trust Account established under the Aboriginal Land Rights (Northern Territory) Act 1976 and a key policy advising role on indigenous economic development within the overall policy advising role of ATSIC.

With regard to the land fund and the ABTA, we believe that this new organisation should have role limited to managing—

CHAIR—Excuse me, Joseph. There is a division in the House, so I ask your indulgence as I am going to adjourn the hearing for about 15 minutes.

Mr MELHAM—Can I also apologise, Joseph, as I will not be able to come back.

Proceedings suspended from 5.54 p.m. to 6.07 p.m.

CHAIR—We will resume the hearing. Joseph, would you like to continue your opening speech?

Mr Elu—Yes, thank you. With regard to the land fund and the ABTA, we believe that this new organisation should have a role limited to managing the investments of the fund and the trust account, restricted to investment management akin to that of a merchant banker. There is scope for all parties to benefit from the financial leverage and investment expertise that would accrue from this new organisation managing a substantial pool of funds, particularly if the restrictive provisions of section 62B of the Audit Act 1901, which currently apply, were removed. Scope would also exist for other indigenous organisations to lodge funds for investment.

The CDC believes that the time is right for a new and innovative direction to be set to promote, sponsor and support indigenous businesses. The value of indigenous businesses in wealth creation and job creation should not be underestimated. A new structure outside the Public Service Act will allow the recruitment and retention of appropriately qualified and skilled managers and staff who can deliver a professional and timely product. Thank you.

CHAIR—Thank you very much for that introduction and for the submission, which has been accepted and will be a public document as a result of a resolution of the committee earlier today. I will ask the first couple of questions while my colleague Mr Quick gets ready for the next questions, and other members will return in a moment.

You have identified the importance in your view of separating the responsibility for dealing with social issues from the responsibility for dealing with developing indigenous businesses and approving of loans, grants and the like. Obviously, that is a very important question. Would you be able to give us any examples from your experience, or the corporation's experience, of cases where you believe the separation should have been but was not and, as a result, the outcome was not a desirable or a successful one? I do not mind if you take that on notice and come back to me on it.

Mr Elu—I think we have to take the specific example thing on notice. I always say that it has been proven in history that social welfare will never alleviate poverty. I think it was Roosevelt who said that welfare was never meant to alleviate poverty. If anything, welfare can keep you in poverty.

CHAIR—A profound statement.

Mr Elu—That weighs the case that we have to differentiate between what we are doing. Are we funding these communities on the basis of providing something that we know is not going to alleviate what is out there? I think we have got to say what we know is out there, and I believe we are battling abject poverty.

CHAIR—Yes. You have certainly exposed a very critical issue for the community, as well as this committee, to give consideration to. Linked with that, if a new organisation was established to become a virtual one-stop shop for the economic development of indigenous people in Australia, how would that organisation best be made up, in your view? Have you got a view as to who should be the members of it? I presume you are talking about a board, and underneath the board, of course, the administration and deliverers of the product.

Mr Elu—My personal view is a board that is still appointed by the minister of the day, and picked for their commercial and business acumen, but with representatives from ATSIC, which, as we said in our submission, has the overall policy advice to the government portfolio still. The staff, we believe, as I said in my statement, would be qualified and outside of the Public Service Act, which we think will get paid for what they do instead of what level in the Public Service they are at and with performance payments or bonuses. I think it should be run as a business organisation, rather than something that is there as an arm of a statutory authority of government. A board, of course, would be appointed by the minister.

CHAIR—The new organisation sounds in many ways like a mirror image of a commercial lending institution, such as we see in Australia through the banks, the credit unions, the building societies and merchant banks.

Mr Elu—One of its functions, as we said in our submission, could be that of a merchant banker. But I think ATSIC's submission explains this too, that on the indigenous side there is what we call the community service obligation that normal banking institutions do not have, which we think is crucial in indigenous business development. After funding care, or even prior funding care, there need to be ways of making sure that business plans are set and cash flows are properly set.

CHAIR—I would like some comments from you on a question that I put to our previous friends who were here from ATSIC on the question of whether the objective and mission statement of your organisation, or any new one that might replace it, should focus on assisting individual indigenous people or syndicates as opposed to a community request for funding for an entrepreneurial activity. Would you like to give us some comments on that?

Mr Elu—Before I answer that, I would just like to state here that I have only been with CDC for the last 15 months. Mr Morony has been there for the last five months and Mr Myers has been here for the last two weeks, or a week and a bit. So the previous policies of CDC we cannot comment on.

Since I have been in the organisation I have instructed my general manager that we look at business for business's sake, whether it is one person, a family or a whole community coming. But, if we are going to make 25 per cent on our money, whoever it is we take it. But the previous policy of the board, as I understand it—I cannot comment on the previous board—is that, because we only have \$40 million from government, we want to spread it as widely as possible in Australia. Hence, the community and larger group versus the individual was talked about, and I think larger groups won that argument.

CHAIR—I am sure that we all share a common objective that whatever policies are introduced have the effect of maximising the number of individual employment opportunities, successful employment opportunities and careers, for individual Australian indigenous people. Would that be right? Do we have that in common, or do you see it as a different primary mission?

Mr Elu—With the board I currently chair, that is the understanding. But the previous board had other policies and I think their policy was that they were more into wealth creation rather than job creation.

CHAIR—With your considerable business experience in your other life, which I am fascinated to

learn about—

Mr Elu—I thought you were going to say ‘prior life’.

CHAIR—We visited your part of Australia in another inquiry. What is your view as to the most beneficial mission of any government programs such as these? Is it going to be better for indigenous people in Australia to have the opportunity to access funds to build up their own business, to be trained and to have their own business, or to concentrate on building up communities who will invest in businesses owned by the community?

Mr Elu—My personal view is that in the outlying areas where specific indigenous communities exist, it is very hard for an individual to go into business and succeed, because other members of the community keep pulling them back. But in the cities and rural areas of Australia I think there is a belief that individuals should be given more chance than the community. But where I come from, where you visited, we have struck a balance of a few people on their own, a few families together, and my community of Seisia itself has the approach of bringing it all together so it is done from a community base and filtered down.

Mr ENTSCHE—There is a problem there too with the ownership of land, isn’t there, in the communities, because it is community ownership for individuals to be able to access.

Mr Elu—Yes, that is right. So the individuals can only access non-land based enterprises.

Mr Morony—I might just add to that. Particularly with a number of the ventures that we are involved in at the moment, we are usually looking at the larger end of the market, anything above \$500,000. We certainly prefer joint venture arrangements where we bring in outside expertise, people who are experienced in business. If we were to look at individuals, we would need to have the blessing of the local community. If you take some of the examples, we are currently looking at a couple of mining operations around the country. Mining contractors have come to us and offered us joint venture opportunities and they would like to involve the local indigenous group. We can either find individuals to come in as part of the contracting arrangements or we find an organisation that might come in as part of that. The local politics do play a part in the way in which we handle each case. Native title, in particular, tends to mean that community based organisations will want to be a part of any development in local areas.

CHAIR—I understand that is the position now. I am trying to project our minds to the future to ask whether it is your advice that we ought to be giving more emphasis to the eventual development of more individual entrepreneurial activity by indigenous people—not, of course, excluding community, but to try to foster the individual’s enterprise as one that might be more likely to be a long-term success. You may have a different view. I would like your comments on that.

Mr Elu—As the general manager said, local politics really govern such an attitude in a particular community, if you like. In some communities, there might be strong individuals who will say, ‘I will do this business. The community allows me to do it,’ and he gets on with it, whereas in other communities the community has the power as a community instead of one individual going out and doing something on his own. As I said, CDC can only go in there and do business with the best company that is there, whether it is

an individual's company, a family company or a community company. One of our preferences is that we deal with companies rather than with individuals so they have to set up a company, and how they set that company up has a bearing.

Mr ENTSCHE—Joseph, the Queensland government runs the IBIS stores, for example, throughout the communities. There have been examples of individuals wanting to set up a grocery business or general store type of business, but they have found that they have not been able to compete with IBIS on the communities. As a consequence, even though they have tried very hard, they have been unsuccessful. Do you think there is an opportunity there for individuals or communities to take over ownership of state-run IBIS type organisations to give them better opportunities?

Mr Elu—Where CDC is concerned, wherever we go we try to consult with ATSIC regional councils—in the Torres Strait that would be the TSRA. That side of politics is more volatile, if you like, than when we get down to the communities outside of the regional council or TSRA area. Personally, I have always said that the IBIS stores should be handed to the communities. I have always said it. I have argued countless times with Ann Warner on that.

Mr ENTSCHE—Really, it is a disincentive for any of the communities to go in there. It is one of the few opportunities that communities have to have some economic base and they just cannot compete.

Mr Elu—Like I said, personally I have argued with the state government on that on numerous occasions. I think Getano and IBIS is now starting to see the light that if anybody starts it will be the death knell of IBIS.

Mr DONDAS—I do not know whether this question has been answered because I have been away on chamber duties, but in your submission, Joseph, you expressed a concern that there are too many Commonwealth agencies providing loans to indigenous organisations. Are you able to express your concerns to the committee?

Mr Elu—I will let the general manager answer that more specifically, but I feel personally, and as the chairman of CDC, that when Aboriginal and Torres Strait Islander people go wherever, they like to talk to somebody who will give them an answer. Right now, we have a situation—and I think it was touched on by Warren talking about Tjapukai—where they have gone to ATSIC, they have been referred to ILC, they have been referred to CDC, and we sent them back to ATSIC. I think ATSIC eventually came up with the money. There are different scenarios and different levels of funding. Like the general manager said, our funding goes from \$½ million up. ATSIC has different criteria. Now that land has been taken from them and given to ILC there is another catch there. As three different organisations, we cannot ever please one applicant for funding or business activities.

Mr Morony—Mr Chairman, the only thing I can add to that is that we have just pointed out that there are a number of agencies which have similar responsibilities, although our levels of activity are different. In the paper, we gave an example of a group that has recently come to us to illustrate the complexity of trying to apply for a loan that might involve land. It might involve a bit more than the upper limit that ATSIC applies in terms of loans and grants, so they may come to us. We have had examples of

that. I guess each of the other agencies would have examples of where we have not been able to meet the needs of groups as well. It was not an attempt to illustrate that there were problems in the other agencies but rather the difficulty for the individual on the ground to deal with all of us as a number of different agencies.

CHAIR—The customer.

Mr Morony—Exactly. We were saying essentially that, regardless of all of that, we think that the administration of commercial programs should be within a commercially focused organisation, and that it is very difficult for staff, on the one hand, to be dealing with social and community development type issues and, on the other hand, the next day be trying to deal with a commercial set of criteria. It is extremely difficult, and it just has not worked.

We have done our own historical analysis of what has happened in this area over the years from 1974, and we believe that the organisation that probably got closest to providing a commercial focus was the Aboriginal Development Commission, until it got given extra responsibilities that were of a social nature and its objectives started to get confused.

Mr DONDAS—If, for example, the CDC stay as they are, are they likely to become moribund or to stagnate? How important is it to go to the next step of building on your framework for facilitating indigenous economic development, which means the formation of Indigenous Business Australia? How important is that?

Mr Elu—It is a known criterion in business that if you do not grow, you die. You cannot stay stagnant in business as a business. In the CDC's own research we are finding that our community service obligation is eating into our profits. The more native title is out there, the more people are coming to us, the more community service obligations we are finding we have to have. We cannot act commercially and have community service obligations thrown in as well.

Ron mentioned the Aboriginal Development Commission which had other responsibilities thrust on them of a social welfare nature which, of course, obviously meant more money. But our situation is that we have only got the one \$40 million out of government. That stopped in 1994, and we have got to work with that. Right now, in our lead-up for going into business, with the groundwork that has been done, we have spent a lot more money with native title out there and with the type of businesses we are getting into. Mining is one area where native title has to be settled, and we look at all the angles of that. That is the obligation we have beforehand. By the time the thing comes along, we have spent a lot of money on that.

Mr ENTSCH—Joseph, you have got land councils that are now getting involved in development, like the Balkanon, for example. How does that cross across your activities, or how does that affect them? Does it have a negative impact, or is it a positive supplement? It seems as though it is sort of doubling up and multiplying on the provision of a service and that is just a greater cost for the provision of a service. I am just curious to see how it affects it.

Mr Morony—The reality is that industry is coming to us usually after native title issues are settled and the native title representative bodies or land councils have agreed on who the native title groups are and there has been a negotiated settlement. What is happening, though, is that the Aboriginal groups are saying,

‘Regardless of that, we also want to develop this land.’

Industry is approaching us and saying, ‘We would like to involve Aboriginal or Torres Strait Islander people in a particular development, but we do not necessarily want to get involved in trying to identify who the right groups are, or the individual, that we should be dealing with.’ They are finding it much easier to come to us to assist them in identifying who they should be dealing with and what business possibilities exist and to set up joint ventures.

Mr QUICK—How can you do that with only a general manager, deputy general manager and 10 other staff? How can you efficiently do that?

Mr Elu—We are very good.

Mr QUICK—You mentioned three operational areas. Where are they?

Mr Morony—We have one office here in Canberra and we have 12 staff in total. We have a limited capital base—

Mr QUICK—You say three operational areas. Where are the other two?

Mr Morony—Within the one headquarters—there are three operational units within the headquarters.

Mr QUICK—Okay. So if someone in Merbein says, ‘We’ve got this whiz-bang you-beaut deal,’ one of the 10 staff goes down there and does it?

Mr Morony—That is correct. We have a business assessment unit that looks at all proposals. It only has one staff member at the moment. Where we need to we bring in consultants to assist us with due diligence reports on—

Mr QUICK—Okay. If we recommend that you guys ought to have the umbilical cord cut from the minister and that you are on your own, and you have \$50-odd million in the kitty, what benefits would there be? Could you operate like Aboriginal Business Canada? Are they hidebound by bureaucratic red tape like you or are they far more flexible?

Mr Elu—None of us has been to Canada, but we have read reports. They have a bit more than \$50 million.

Mr QUICK—Yes—they have \$300 million. But the thing that amazes me—

Mr Elu—Give us \$300 million and cut the umbilical cord and I think we will survive very well.

Mr QUICK—But they are dealing with a hell of a lot more people. They are dealing with over 5,000 firms. I am a schoolteacher and I love doing maths. In 1996-97, CDC business investments offered direct employment opportunities for 120 indigenous people. If I was a cynic and said, ‘You have investments

totalling \$32 million. That is \$270,000 per person employed. You are really not interested in employing people; you are basically interested in making more money,' what would the answer to that be?

Mr Elu—As I said before, the former board's policy was wealth creation rather than job creation.

Mr QUICK—So if we cut the umbilical cord and said, 'You guys are on your own—no ministerial responsibility,' what could you do better?

Mr Morony—We are not suggesting—

Mr QUICK—No, I know you are not suggesting anything. I am suggesting—

Mr Morony—If I can answer the question, Mr Quick, we are suggesting a statutory authority be established with responsibility for these programs, under the control of the minister.

Mr Elu—Our concern is that the staff are not bound by public service regulations.

Mr QUICK—So you are operating at maximum capacity within the constraints you have got? Are you happy with the way things are, or do you want to see things change?

Mr Elu—We would like to grow.

Mr QUICK—What is stopping you?

Mr Elu—We are not getting any more money out of government.

Mr QUICK—But you have got \$60 million, according to your balance sheet.

Mr Elu—We had only \$40 million from government; the other \$20 million we did on our own. What we are saying is that if we go on the way we are, we will probably survive, but there is another equation that has been added which is community service obligations through native title. When you were talking to ATSIC you said that people have been put in there and there was no after funding care. One of our very big units—of the three you are talking about—is what we call the project monitoring unit. It has three staff and is our biggest unit.

Mr QUICK—Realistically, how do you cover the whole of Australia with 12 people?

Mr Elu—We do.

Mr QUICK—For business development? I do not know of any other firm anywhere in creation that can. I am not being cynical or casting aspersions, but how the hell can you be really be effective with 12 people in a country the size of Australia?

Mr Myers—Perhaps if I could just explain, the funding base of the CDC at the moment only allows

something in the order of 20-odd projects to be funded at any one time. So the level of demand—

Mr QUICK—Whose decision is that?

Mr Myers—That is just the amount of money that is available that is not tied up in other investments or other businesses.

Mr QUICK—So you concentrate at the top end of the market, the top end of town?

Mr Myers—On projects of \$500,000 and more.

Mr QUICK—You heard my questions earlier about you being up there, ATSIC in the middle and Grameen Bank types of things, which are obviously a hell of a lot more successful in terms of dollars per person employed, down at the lower end.

Mr Elu—Hence our submission that we should combine them all together.

Mr QUICK—Combine what? You and ATSIC together?

Mr Elu—The programs.

Mr QUICK—We have heard suggestions that we should take the money off you guys, take it off ATSIC, and give it to one of the banks because their probity checks and the like are hell a lot more efficient, and that, rather than having 30 per cent of businesses fall over, the banks would make sure that, if you jumped all their hurdles, you would have far better value for money and jobs created than you do under the current multiplicity system.

Mr Elu—Will the banks have after funding care? I think a lot of indigenous businesses will die in the first six months of funding from banks.

Mr QUICK—If they are financially viable, if they have done business plans? When you look at IBIP and BFS, if you survive that surely to God you would be going. And surely you have the same sort of probity checks. You have only got 12 people and you have these experts coming in, and God knows how much you pay them to run checks—Deloittes or whatever their names are. They are not the bottom end of town; you are hiring the best people in town.

Mr Elu—What I am saying is that our project monitoring section is the biggest section of CDC and it has got that after funding care responsibility, where, if something goes wrong in one of our projects, we fly there immediately. As Ian said, we can only do 20 projects at a time; the money demands that.

Mr QUICK—So what is happening in Canada? Are they operating the same sort of thing, the top end of town? In terms of their success rate, they seem to be generating a hell of a lot more jobs than your program is. Are they basically the same as you?

Mr Morony—Our submission says that the CDC has got its limitations in terms of the way in which we have been established and our capacity to achieve better outcomes for indigenous Australians. The way—

Mr QUICK—I am sorry to interrupt. We want to come up with a model that works for Aboriginal communities, irrespective of whether they are in Dover in Tasmania, in Gove, in Merbein or anywhere. It ought to be as it is with banks, where you go into the ANZ and say, 'I want to set up a business,' and they say, 'Do you want to borrow \$40 million and invent some new whiz-bang plane that is going to take R&D and all that sort of thing? Or do you want to buy the local coffee shop, and the stock at value and whatever the lease is is a certain thing?' Then they shunt you in to see person A, B, C or D, depending on what sort of car you drive and what sort of capital equity and things you have got.

We have had 10 different plans since God knows when—the last 20 years. You have got a structure, ATSIC have got a structure. But when you go out on the banks of the Murray River, as we did the other day, people there are saying, 'We have got a fantastic lucerne crop. There is a drought. We can feed all the farmers with all the lucerne they want, but the tractor is RS and we cannot borrow \$20,000. We have got over \$1 million equity in the land. But ATSIC are stuffing us around, and by the time they give us a tick in the box and send us the money the bloody lucerne is finished and we have lost hundreds of thousands of dollars. Why can't we go into a bank and say, 'We've got over \$1 million equity, we've got this potential crop that is worth hundreds of thousands of dollars, but our tractor has broken down and we need to harvest straight away?'

Mr Myers—Could I ask a question? Why didn't they go to the bank?

Mr QUICK—Because, under ATSIC guidelines, they are not allowed to.

Mr Myers—No. Any person can go to a bank and apply for a loan. Why didn't they go to a bank?

Mr QUICK—Because they are some sort of corporation, if I remember rightly, Mr Chairman.

Mr Myers—They are still eligible to approach a bank if they can meet the bank's lending criteria.

CHAIR—That is one of the projects that we have asked ATSIC to respond to in the next three weeks, or certainly before 25 March. I think, from memory, they said that, under their arrangements, to get their business up and running, there was some provision that prevented them from using the land as security. We have got to get into the guts of it to find out why.

Mr QUICK—That is right. They just went and bought it and figured out, 'We had to pay for it somehow.' To me, that is a stupid system when it is obviously very labour intensive, and there is high unemployment around the Murray basin.

Mr Elu—I was just going to say, Mr Chairman, that CDC and ATSIC were started, I personally believe, because we could not get our people to get money out of banks, for some unknown reason. I think everybody in this room knows the reason.

CHAIR—Of course.

Mr Elu—Hence this what we call ‘stopgap’ funding. So, if we are talking about the money that the government is giving as assistance to indigenous people, going to the normal lending institutions out there to give money to indigenous people, why aren’t lending institutions giving money in the first place anyway?

Mr QUICK—Could I be presumptuous and say that I was over in New Zealand when the Tainui tribe were given \$250 million out of the \$1 billion fiscal envelope to settle native title. I was there when they were having discussions with the banks about how they were going to invest that money for the benefit of all the Tainui in New Zealand. Surely, with the money that is involved in ATSIC and the CDC and God knows how many other funds, if it was put into one bank and it was said, ‘Look, you come up with a deal to enable our people to benefit through business and learning enterprises, through job creation and the like, right across Australia,’ surely they could come up with something.

Mr Elu—That is precisely what our submission is saying, that we have access to the land fund—we have access to that fund and we can talk about investing that.

Mr QUICK—So we say to the Commonwealth Bank, or the ANZ, or Westpac or someone, ‘Look, we’re going to pull all the money out from God knows how many little money bags and stop all this stupid hassle and family feuding about someone having been elected to this council, but they don’t like this family, or the whole thing is stuffed’, and that we put it into one bag and come up with a working plan. We have been fiddling around since 1970, reinventing the wheels.

Mr Myers—Our submission says two things: firstly, the funds should be brought together; secondly, they need to be taken from under the Audit Act provisions, where they currently are, which stop the money being used in the manner that you are proposing. That is exactly what our submission says.

CHAIR—If I could add another overlay, it is possible in the discussion and in our review that there might be a central organisation recommended which uses the facilities of outsourcing, trading banks and the like, to contract with them to provide the sorts of services that Mr Quick is talking about. So you are not talking about an in-house organisation that does the lot; you are talking about an in-house bundling which has power to maximise the result and to use available services across Australia to deliver the service to the customer. That is what you are talking about. That is the dynamic, isn’t it?

Mr Elu—That is right. I thought the Commonwealth Bank was the federal government’s bank but, obviously, it is not.

Mr QUICK—No, we sold that.

CHAIR—Mr Entsch has another question he wants to raise.

Mr ENTSCHE—We got cut off halfway through with regard to the establishment of additional development organisations like the Balkanon one. How does that cut across the organisation that you have? Does it impact on it negatively, or does it support it positively?

Mr Elu—Like I say, we are very project specific, so I cannot talk about that.

Mr ENTSCHE—That would be more on the grounds for them to—

Mr Elu—Project, yes.

Mr ENTSCHE—prepare submissions which they would probably take to you.

Mr Elu—That is right.

Mr ENTSCHE—That is fair enough.

Mr Elu—We look at all submissions and, like you said, if it does not fit the criteria, then we move it to ATSIC or ILC or give it back to the person and say, ‘Sorry, we can’t help you’ and all that type of thing. Like I say, we always try to get in there after native title has been sorted. Everybody knows where they are at with the development that is going on. We come in as business partners.

Mr ENTSCHE—Ideally, all of those should be brought together, as you suggest, under the umbrella of one organisation—

Mr Elu—That is right.

Mr ENTSCHE—which would certainly be far more cost effective and allow a lot more money to be distributed on the ground.

Mr Elu—We are not doing this for the benefit of CDC or ourselves, the three members sitting here; we are doing this for the benefit of people on the ground. We think that they need, or they should have, a one-stop shop that acts only on commercial enterprise development.

Mr ENTSCHE—But nevertheless gives them that back-up support that they need to get themselves established.

Mr Elu—That is one of the things that we say the government should retain in the field of recurrent funding for the community services obligations that we currently now meet with money we get out of our recurrent investment.

Mr ENTSCHE—This is one of the major problems or failings, the fact that there is not enough back-up there for them once they get started and, by the time they come in to have a look at it, the surgery is too great and they are history. The initial one has to be part of the package to see them through to financial—

Mr Elu—Sometimes it is not even money that is involved. We just restructure it, and they cannot get that advice.

Mr ENTSCHE—Yes.

CHAIR—Just the other day, and again our friends in ATSIC are listening to this, we visited a hydroponic project—tomato growing in Swan Hill—and it was alleged there, and again we have to find out the other side of the coin, that they needed further capital to complete the project. If they do not get it the project will fall down, but they did not know what is going to happen. We have asked ATSIC for a briefing on that one, too.

I also would like to mention that I understand the modern commercial trading bank interfacing with small-and medium-sized businesses does have an after-care policy now where they do keep regular contact with the customer. The customer does learn to communicate before the disaster occurs, and they are building this relationship up. The model that you are putting to us is that it has to be a model that has an after-care component in it but, as Chairman of this inquiry, and having had some commercial experience, I—and the committee—have to make damned sure that your after-care component is not made up of people who were involved in the granting, or approving, of the loan in the first place. You have to separate them because there is a potential conflict.

If you have people that are handling an arrears file, or a potential arrears file, and they were the ones that advocated its approval, then you will find that often they do not act quickly enough because they were the ones that got the loan up in the first place. We will be asking the Bankers Association—and we will share all this with you, if they will do it with us—for advice on how they are modelling their modern banking practices in Australia because we may pick up some very good advice on handling these things.

We have asked this of ATSIC, and I am formally saying to you—the secretary has given you prior notice of this—that, at our next meeting, we would particularly like to be given details of current applications in Australia, the dates received, the places from which they have come, the type of application, the amounts being sought, any roadblocks either on their side or your side to giving a yes or a no and—respecting privacy and commercial confidentiality in doing it—if you tell us that you cannot tell us for those reasons we will respect you, but we would like you to give us some indicator. We are going out across Australia to find out from the customers. Customers are going to be alleging that various people are not doing things and goodness knows what. We want to know from you before we go out around Australia, and also you will be able to enlighten us as to your workload and the type of applications you are going to get. Could you do that for us?

We have fixed 25 March for another meeting with ATSIC, and I can foreshadow, I think, that members will probably appreciate the availability—if not of yourself, Joseph, because we do not want to bring you down for every meeting—certainly of Ron and Ian. If you can be available that day, that would be helpful to us.

Mr Morony—Mr Chairman, I think we have prepared some of that information for you, and we can table that in response to the letter you have sent to us. There is some additional detail that you asked for, and we will provide that as quickly as we can.

CHAIR—Okay. I will just do the formal bit. Is it the wish of the committee that the letter dated 9 March from the Aboriginal and Torres Strait Islander Commercial Development Corporation headed ‘Inquiry into indigenous business’, tabled by our witnesses today, be accepted as an exhibit and received as evidence into the inquiry into indigenous business? There being no objection, it so ordered.

These things become part of the public record, and that is why we go through these formalities. There are certain laws about privilege, and all that, that come into play.

Mr Elu—That is why we want out of the Public Service Act.

CHAIR—I would like to thank everybody for their patience today with the interruptions through quorums and divisions. I regret that, but you have been very patient. To all of our witnesses and members of the public listening, thank you.

Resolved (on motion by **Mr Entsch**):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 6.52 p.m.