



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER AFFAIRS

Reference: Indigenous businesses

CANBERRA

Wednesday, 25 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	51
BRIGGS, Mr Paul Anthony, Chairperson, First Nations' Aboriginal Credit Union, PO Box 2013, Shepparton, Victoria 3620	75
COLE, Mr Rowan, Strategic Development Manager, Advantage Credit Union Limited, 600 Collins Street, Melbourne, Victoria 3000	75
DAY, Mr Joe, Committee Member, First Nations' Aboriginal Credit Union, PO Box 2013, Shepparton, Victoria 3620	75
GRANICH, Ms Marion, Field Officer, Aboriginal and Torres Strait Islander Section, Creditcare, PO Box 51, West Perth, Western Australia 6872	75
NOVIELLO, Mr Vincent Anthony, Acting Manager, Business Development, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606	51
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	51
PLOWMAN, Mr Colin John, Acting General Manager, Economic, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606	51
SAUNDERS, Mr Kenneth Joseph, Committee Member, First Nations' Aboriginal Credit Union, PO Box 2013, Shepparton, Victoria 3620	75
WATTS, Ms Glenys, Committee Member, First Nations' Aboriginal Credit Union, PO Box 2013, Shepparton, Victoria, 3620	75

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Indigenous businesses

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Present

Mr Lieberman (Chair)

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

Committee met at 4.41 p.m.

Mr Lieberman took the chair.

CHAIR—I now open the second 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 Aborigines and Torres Strait Islanders can reduce their dependence on government funding, increase their income and gain greater control over the events that affect their lives.

The purpose of the inquiry is to review the existing Commonwealth programs to assist appropriate indigenous businesses and joint ventures, and 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.

At this hearing, members will continue taking evidence from ATSIC about its programs to assist indigenous business people. The committee is also taking evidence from officials associated with the establishment of the First Nations' Credit Union based in Victoria.

Many of you will be aware that the Minister for Aboriginal and Torres Strait Islander Affairs, Senator the Hon. John Herron, has recently released a discussion paper on the possibility of establishing a new statutory agency to combine, amongst other things, functions of the CDEP and the commercial programs administered by ATSIC. The committee will be considering this ministerial discussion paper as part of its investigations and, in fact, that document has been received as an exhibit for the purposes of the inquiry.

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 turn to the proceedings at hand. I welcome witnesses from ATSIC. Thank you, again, for coming to see us today.

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

NOVIELLO, Mr Vincent Anthony, Acting Manager, Business Development, 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, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606

CHAIR—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 or continuing statement that you would like to make?

Mr Birch—We do not have an opening statement at this present time. We would rather get on with the business that we have at hand and we would choose to answer those three questions that you raised last time. If I may, I have selections of answers provided for you.

CHAIR—I think members will recall we asked ATSIC to provide us with further information. The commissioner is ready to do that now and I think it is an appropriate time to ask you to proceed.

Mr Birch—You will recall your first question was: should the emphasis of government assistance to indigenous businesses be on individuals or communities? I would like to provide the following information for you. The history of ATSIC funding has shown that businesses owned and operated by individuals and families have a greater chance of success, rather than those owned and operated by communities. There are a variety of reasons.

Community businesses do not have as much generally to lose financially as individuals. Community organisations may have conflicting social and commercial objectives. Sometimes there are greater expectations of employment outcomes and, possibly, income distribution from community businesses. Community organisations are more likely to have management turnover or management problems. Community organisations are more likely to have local political difficulties or changes in directors for reasons other than organisational performance.

Individuals should benefit more directly from their labour and enterprise in the form of profits. Decision making in individual businesses is quicker and directly related to business operations and outcomes. Community businesses have a greater training requirement. Individual and community businesses require government support to start up and operate, given the economic status of indigenous people and their general lack of access to commercial finance. However, there are significant numbers of indigenous people living in rural and remote location across Australia where in the main there are fewer opportunities for economic activity, in particular for individuals.

Support for either individual or community businesses at the expense of the other will ensure a lack of economic opportunity for individual people across a range of locations. For example, individuals would generally have more difficulty starting up businesses in remote locations. Community businesses in rural and remote Australia, particularly supported by CDEPs, are an important entry point for economic opportunity in these communities.

ATSIC believes that the emphasis should not necessarily be on whether to support indigenous individuals or communities, but rather on the policies and funding parameters that should apply. For example, the greater risk profile and, indeed, greater potential benefits of community enterprise requires greater emphasis on grant funding. The lesser risk profile of individual businesses should be reflected in a greater emphasis on loan funding.

The second question you asked was whether the government should be involved in delivering indigenous business programs. In the case of indigenous businesses, there is a strong case for government assistance to enable indigenous people to access finance, acquire skills and experience which is not normally available from commercial sources of finance.

The level of disadvantage in areas, including business skills, lack of equity and discrimination preventing access to business infrastructure other than finance, such as insurance and trade credits, is acute among indigenous people. This can only be overcome by government support. There are other unique problems, such as restriction in some cases in using land as security. This means communities and individuals will never be able to access commercial finance if the costs of a business are not offset or guaranteed at least in part by the government.

There is a role for government in the provision of grant programs to provide seed and/or equity gap funding, feasibility studies, business advice and training and after care, including mentoring. These are generally not provided by commercial lenders, but are precursors to success. While recognising the lack of banking skills in government, there is still a need for loan funds, sometimes at concessional rates, to support businesses.

The Commonwealth government has the essential role of bringing together state

governments providing sector bodies and other agencies to provide the maximum input into overall indigenous economic development, including financial and other support for indigenous businesses and entrepreneurs. The third question you asked was whether ATSIC should have a role to play in delivering indigenous business programs.

CHAIR—It is a fairly topical question.

Mr Birch—ATSIC, as the peak body for indigenous affairs, should continue to have a role in monitoring other government agencies, in developing industry strategies and in policy formulation and advice on indigenous economic development. Economic development is more than funding businesses. The linkage with other ATSIC programs must be maintained. In particular, CDEP and ATSIC can provide the link to government programs generally. ATSIC is well placed to negotiate with other agencies, the government and the private sector to provide the necessary support to indigenous businesses. ATSIC should continue to provide grant and loan funding to start and support businesses. However, ATSIC will look at ways in which the private sector, banks and credit unions, et cetera may be able to deliver the loan funds on behalf of ATSIC. ATSIC is of the view that structural reform will not necessarily provide the necessary improvements in outcomes; rather, what is required is a focus on additional resources and partnerships with the mainstream and the private sector to increase financial banking skills and greater cooperation between the agencies.

There are a number of smaller factors that relate to this issue as well. ATSIC is conveniently rurally placed to enhance these whereas a lot of other government departments are not. There have been quite a number of indigenous and non-indigenous people already involved in the last 20 to 25 years in increasing enterprise development for indigenous people. Thank you.

CHAIR—At this stage I will just do a couple of formal things and then I will leave it to members to ask questions. ATSIC was good enough to respond after our last public hearing to our request to provide further facts and information. A letter from ATSIC dated 24 March 1998 to the committee, which is with your briefing notes on page 19, forwards to us answers to questions 1, 2, 3 and 5 that were raised in the transcript. Question 4 is the subject of further consideration by the board. It deals with the minister's discussion paper on removing the welfare shackles. A response is to be provided to the committee at the time that it is provided to the Minister for Aboriginal and Torres Strait Islander Affairs. The letter of 24 March includes an attachment which gives details of the 17 successful businesses listed in a submission dated 11 March and answers certain questions regarding specific projects. The letter you sent us, and we thank you for that, contains quite a deal of information about various applications and their status, et cetera. Reg, would you mind if that information is now included in the public record and becomes part of the submission and evidence to be published?

Mr Birch—Yes, that is okay.

CHAIR—I will just add one rider to that; the papers you sent us contain specific details of projects in Mildura and the Wamba Wamba Land Council and Camp Jungai. Do you have any concerns about those? I am happy to go in camera on those three, if you would like. It is up to you. That would mean that the transcript on those issues would not be published publicly but it would be part of the record. The other issues would be on the public record.

Mr Birch—Thank you. Perhaps I should ask the staff, who are more informed on these activities. As you understand, I am from another part of Australia.

CHAIR—I understand; you can ask for advice on that.

Mr Plowman—There is one issue in one of those case studies that would be best heard in camera. It is only one issue; the rest are fine.

CHAIR—Okay. Which one is it that you wanted to have heard in camera?

Mr Plowman—It is the Harley, the Machy.

CHAIR—The Mildura one. If members are happy we will include everything in the public record except the details in your briefing notes to do with Mildura, which we will go in camera on when you get to it. Is that okay?

Mr Plowman—Yes.

CHAIR—I want to ask two questions. On the voluminous list of applications you have before you: I did a quick calculation to try to work out the value of the applications—there are 13 pages of them—that are currently before ATSIC. The bells rang and stopped me from finalising my addition. Do you have a round figure to tell the committee the value of the total amount of applications currently before you? If not, you can come back on it.

Mr Plowman—I would prefer to come back on that.

CHAIR—It looked like \$50 million to me, on a quick run.

Mr Plowman—That list is not complete. I think I made that point.

CHAIR—Yes, you said that in your letter.

Mr Plowman—I think Western Australia is missing. You also asked for some detail on the reason for delay. We have not done that properly yet because getting it together to this state was a reasonably large and detailed activity. I will try to give you more information on that in the future. Just note that these are only applications. In our

original submission we talked about the number of applications that we had received for BFS compared to actual final approvals. I cannot remember the percentage but it was 60-odd out of a few hundred. We would not have an 80 per cent approval rate so there is that element of what actually gets approved. These are applications; some of them are inquiries rather than applications.

CHAIR—By the time of our next meeting, could you give us the final list for Western Australia?

Mr Plowman—Yes.

CHAIR—And also the value of applications to date so that members will know the context of that? Looking at the workload involved—what I would imagine it would be—how many staff does ATSIC have involved in dealing with all of these applications across Australia, both at head office and state offices?

Mr Noviello—There are about 20 staff involved in the states and 10 staff in central office. There are approximately 30 for the entire program.

Mr Plowman—We have the involvement of business agents who provide functions. That is on a case by case basis so we cannot really cut that down to what are full-time equivalent staff.

CHAIR—I would like you, as soon as you can, to give us some information so that we can gauge the cost of running this program—that is, what it is costing in direct wages, salaries and overheads to run these programs, and a break-up of those if possible. Secondly, what is it costing for outside consultants and advice in respect of these programs from date of application to date of completion—if you can break it up into those points? Then, can you tell us what it costs to administer the loans and grants each year at head office, state office and regional office and what it costs you to employ consultants and advisers in that phase, if any? We can then get a picture of how much is being spent to involve ATSIC in the continuation of these programs. That is the reason I am asking those questions. There is nothing hidden; we need to know those things.

Mr Noviello—Would you be satisfied if we came up with the total cost figure for engaging our business agents or did you want us to break that down into loans and grants?

CHAIR—Subject to members' agreement, we will get the broad figure first and then we might come in on a more detailed analysis as we go along.

Mr Plowman—It will be a reasonably big job.

CHAIR—I would ask members to keep their questions very short and to the point so that other members can have an opportunity.

Mr KATTER—I really am confused with the set out here. I am not getting a clear picture at all of the overall situation. There is no list—maybe there is and I cannot find it—of how many ventures are being financed in Australia and how many of those are running on a viable basis—running at a profit or at least break even.

CHAIR—Can I just come in on that. I think the submission that ATSIC gave us on the last hearing date contains an analysis of much of what you just asked. But if you wish to elaborate on that, you are welcome to do so if Mr Katter wants more information on it. But you might prefer to read that submission and then come back on that.

Mr QUICK—Tables 7, 8 and 9 I think show a lot of that.

Mr Plowman—They are the loans for the last three years, including this year, that we have provided. They provide some indication against active, inactive, completed and written off. I have got a more detailed explanation of that because it came up in the last hearing. But at the moment, Mr Katter, we have about 403 active loans. That means loans where presently the repayments are being made and we assume that everything is going reasonably well with them.

Mr KATTER—How many are running at a loss, how many are running at a profit and how many are running at break even?

Mr Plowman—We do not keep that sort of information, Mr Katter. If we provide a loan, our main interest—and how we can judge success in those terms—is whether people are repaying their loan. We do not look into the detail of enterprises in the way that you seek.

Mr KATTER—You say 403 are making their repayments. How many are not?

Mr Plowman—Of the 1,457—and we had a discussion with the committee last time about whether that is a reasonable figure and that is all since 1970—we have written off 276 loans.

Mr KATTER—Sorry, 1,407?

Mr Plowman—Since 1970, 1,457: 276 have been written off; 127 are inactive—that is, no repayments are being made—and 403 are active loans. We have got some information on that in our original submission. We do not get annual advice from people about the other aspects of their business.

Mr KATTER—That is all right. So 1,457 loans have been made since 19-

Mr Plowman—Seventy.

Mr KATTER—And of those?

Mr Plowman—Four hundred and three are presently active. Of course, 651 have been completed, so they have repaid their—

Mr KATTER—So they have been paid off and gone?

Mr Plowman—Yes. So, they are doing whatever they are doing at the moment.

CHAIR—I think I can safely say that, as we progress in the inquiry, we will be seeking to find out what you know or what others know about the value-added return for the dollar spent; in other words, the outcome on the ground. I think that is also what you are getting at, too.

Mr ENTSCHE—I have a couple of questions with regard to those three points that you made earlier on. One of the comments you made there was with regards to business operations being subsidised by CDEP indigenous businesses. Do you have any examples where you have stand-alone indigenous businesses—for example, somebody who has bought into a grocery store or something of that nature in a community—but they basically find themselves then in direct conflict or competition with a CDEP subsidised operation and the stand-alone one suddenly goes broke because it cannot compete? Do you find that you have many examples of that?

Mr Plowman—Mr Entsch, I think we would probably have to get back to you on that. I am not aware of any. Sometimes you hear anecdotal stories saying that the CDEP is causing difficulty to other businesses nearby—sometimes not indigenous businesses—because of the subsidised nature of the wages, if you like, in CDEP. I am not aware of any indigenous businesses within indigenous communities being influenced in that way, but I can certainly attempt to find out. Even if I give you a nil response, I will look at that.

Mr ENTSCHE—I can give you an example for argument's sake of where indigenous or Torres Strait Islanders have actually bought a small family mixed business and then subsidised IBIS stores, for example, have been established in the same community and sent them broke. They have gone from a very viable little family stand-alone business to a point where they have gone broke. If you have a look, you will probably find examples. That is one example.

Another example is in mainland communities where they have set up small businesses, have just got on their feet and have just started to establish themselves and then, for whatever reason, the local council decides to set up something in competition with CDEP workers and again has sent them broke. I would be interested in that one if you can look at it because it seems to me to be a real problem. Maybe something needs to be done to give the stand-alone indigenous businesses an opportunity to get established.

Mr Plowman—I would like a bit of time to think through the conceptual issues on both sides, because I imagine there is a story from the CDEP side as well in terms of their capacity to enter into business and involve work from that as well. I would like to think through that and maybe give a response to the committee.

Mr ENTSCHE—I have no problem with that because there are lots of other activities that CDEP, for example, could have been involved in. That is just one problem that has been raised with me by a number of my constituents.

Mr CAMPBELL—You are talking about whether a council office has decided. That is political. If the council, for political reasons, decided they are going to wipe out the family—

Mr ENTSCHE—Exactly, but I am interested to see if you are going to come back to us on that because there are a number of cases where this actually happens. A business is set up, the council sees that it is a successful business and these people are actually getting on their feet and starting to move so the council, who comes from another group, will set up in direct competition using CDEP funds and wipe them out. That is one.

The second one relates to a comment you made about restrictions to raise funds or raise finance because of the problems with tenure within the community or the limitations within the tenure. One of the comments that has been made to me right throughout the communities is a need to have some form of ownership of their houses and their lands where they have businesses like on DOGITs in our situation. The broader DOGIT remains within the group, but I am just wondering whether there is any consideration being given to actually offering a title to parcels of land for either houses or small businesses that they are wanting to establish to give them the opportunity to raise commercial funding to develop their businesses.

Mr KATTER—In Queensland, pernicious legislation that passed some years ago took the ownership of the DOGIT areas away from the councils and handed it to appointees of the government. It was always dealt with very harshly obviously by the black community in Queensland. What Warren is saying carries particular spite in so far as the DOGIT areas are effectively owned by appointees of the Queensland government now, instead of the community councils themselves. So any movement to private ownership is a movement to ownership by local black people, which does not otherwise exist. So it is very important and Warren's question carries very grave implications indeed.

Mr Plowman—There is a continual policy discussion within ATSIC and elsewhere about the capacity for DOGIT land and other inalienable freehold title land use and availability to be used as security. The problem with using it as security is its value for transfer and the capacity, therefore, to put a mortgage on it. It then is down to the lender to decide what value it puts. If it lends for a house for argument's sake of, say, \$100,000, the transfer is not necessarily \$100,000 because there are restrictions often here about

whom land can be transferred to.

There has been a desire for some time within ATSIC in the housing loans program, for instance, to be able to look at ways that individual ownership can be provided on land such as this so that people can take it. Therefore, once you give a loan, ATSIC or other lenders will require some form of security. There is a real difficulty there. I understand that there has been some thought in Queensland—I am not sure of the detail—about ways to be able to offer some form of individual ownership arrangements within the DOGIT. I do not know the detail of it.

Mr KATTER—About five per cent of the DOGIT area went out to private ownership before this legislation came in.

Mr Plowman—But in the end it comes down to what is the security worth, and that is the difficulty. It is not so much that you cannot take security; it is the fact that it is not worth a lot of money because it is limited in its transfer.

Mr KATTER—It can only be sold to other community residents, unless that part of the legislation is changed as well.

Mr Plowman—That is the case in New South Wales as well.

Mr KATTER—On that basis, what value would you put on it—10 per cent?

Mr Plowman—I do not know.

Mr KATTER—Five per cent?

Mr Plowman—I think it is on market value, and market value is what people will pay, of course. So it is what someone else will pay. Given that there is a limited market—say, for instance—I know more about New South Wales—

Mr KATTER—No, I am not being critical of it. I just tend to—

Mr Plowman—I understand that. I know more about New South Wales, but the New South Wales Land Rights Act encompasses all those ex-reserves, for instance, and people live in houses on them. But, of course, the New South Wales Land Rights Act says that the only person who can get one of those parcels of land is someone else who belongs to that land council. That is obviously a limited number, as opposed to mainstream society where, of course, if you live in Canberra, there are potentially 300,000 to 500,000 who might buy your lease.

Mr ENTSCHE—I am aware of the restrictions. I am just asking whether there has been any attempt to look at broadening, particularly on commercial operations, which

would mean they could have a shop or something like that?

CHAIR—Can I just make a quick comment on it? It is very interesting that your comment relates to our term of reference that asks us to consider any barriers to the establishment, acquisition or development of indigenous controlled businesses. Without getting into the merits of these various state controls, which is a separate issue, as experts in lending to indigenous communities and individuals, is it accurate for me to conclude from what you have just been talking about that there are cases where the advancing of a loan or the calculation of the loan or a grant is impeded somewhat because of these other controls which are placed on land for other reasons? Would that be a reasonable conclusion to come to?

Mr Plowman—I understand there is some thought that in some places inalienable title does not necessarily form a huge barrier, but it does create a difficulty with security, yes.

CHAIR—Thank you for that. It is a fair answer.

Mr DONDAS—I have a question. Without going into the last hearings, Indigenous Business Australia has been quoted by the minister, and I think you were at the hearings when the IBA came along and made its submission to the committee about where it is going in setting up some financial infrastructure. If IBA is successful, what impact will that have on the operations of ATSIC?

Mr Birch—That would be difficult at this stage, simply because the whole board of the commission has not had the opportunity to look at it, and that will be on the table at the April meeting, so it is just a new presentation.

Mr DONDAS—This is the \$64 question asking you to look into a crystal ball, but is there any likelihood that ATSIC may support the setting up of the IBA?

Mr Birch—With consultation with, or liaison with other organisations, I am most certain it would support it.

Mr DONDAS—Do you feel that it is in competition with ATSIC, or do you feel that it may play a role in supporting what ATSIC does?

Mr Birch—I do not think competition is the right word, because all major Aboriginal organisations are trying to focus on the same issue anyway. So, whatever comes along, we will assist that and try and work together.

Mr DONDAS—Thank you, Mr Chairman.

CHAIR—Mr Lloyd wants to defer for a moment. Mr Quick.

Mr QUICK—Thank you for the information on current data—all those state-by-state, and Western Australian, breakdowns. I am interested in how the process works and the length of time from submission through to referral to NEIS or business agents, through to the commencement of the project. I have done a quick breakdown. Of the 318 applications that are mentioned there, 100 are referred to agents and, in South Australia, 73 of the 129 applications are referred to agents. By looking at the date of lodgment and the progress to date, it looks as though it has taken at least eight months but still nothing has happened.

Yet if you look on page 2 of 13, attachment A, second page, at the top of the page, ‘BFS program \$75,000, purchase of a hotel’, the date of lodgement was 19 June 1997 and the approved letter of offer was sent on 6 March 1998. Yet, underneath ‘BFS/IBIP, \$150,000 purchase of a hotel’, the date of lodgement was 3 February and it was then approved—and one would assume it had been approved virtually reasonably—with A-G’s legal documentation. So one is nine months and the other one is one month.

Can someone explain to me how the process works when it takes nine months to buy a hotel for \$75,000 and yet it seems to take one month for purchase of a hotel twice the price? As I say, in South Australia, 73 of the 129 applications are referred to agents. How many agents are there? Last time you mentioned there are some whizzbang Deloittes, or whoever it is. In South Australia, an inordinate amount percentage-wise is referred to agents. In the Northern Territory only three out of 59 go to agents; in New South Wales half of them do, 19 out of the 38, but it is probably 60 per cent in South Australia—and Victoria only has four out of 32.

So, is there a backlog? How does the process work? If you are applying for a grant of less than \$100,000, is there an expectation that it will be processed, assuming all things are given the tick, within a certain period of time? Is there a \$250,000 to half-a-million dollar expectation, \$500,000 to a million, or is it just take your chances?

Mr Plowman—No. In our original submission we provided you with a bit of a breakdown of the processes. We cannot assume that all applicants are the same, that all applicants provide us with all the information that we might require in order to make a decision on a loan immediately. I do not know the details of those two, but I can only surmise that the applicants who came to us on 3 February, the ones that you mention there, were able to provide to us all the information that we needed to make the decision.

It is not unusual for an applicant to come to ATSIC—and in some of them you see, ‘Amount to be determined’—and say, ‘Look, we are interested in buying a pub’, or ‘We are interested in doing this, that or the other’, and then we note that they have come in and made an inquiry. But then we say, ‘You need to provide us with a bit of information. You need to provide us with, for instance, confirmation of aboriginality; you need to provide us with the sorts of things you actually want to do.’ So it might be—and I cannot guess—that you might want to pick out a few and ask for some details of the steps,

but it might be that they do not provide us with all the information as much as anything else.

It does not automatically mean that we are being slow for no good reason, or that it is different. It might be that the applicant has not provided the relevant information. As I said before, this is not complete; we have not got the table in 'Reason for delays'. The fact that the South Australians have not mentioned 'Referred to agent' may mean that they just have not put it down. We are still to go through and finalise this table and make sure all the information is available and consistent, so I can only assume in those cases that the people who came in 1997 did not provide us with the information.

CHAIR—When you come back with this final list, which will help Mr Quick in his questions too, will you identify against each one the individual community or the syndication of individuals because I need to know those categories, and I am sure you do too.

Mr QUICK—The first, second, third, fourth, and I think the fifth applications—

Mr Plowman—Which page, Mr Quick?

Mr QUICK—On page 6 of 13. The first one is in South Australia. I cannot understand the process because there is one here, the first one, 'IBIP accommodation, amount to be determined', and then 11 August 1997 referred to the agent. Now one would assume that they would ask for a certain amount of money. Or do they say, 'I would like to set up some accommodation in Burra; you tell me whether it is feasible or not'? And then you come back and tell me, 'Yes, it is feasible because there are lots of tourists going through Burra, but the price of hotels in Burra to buy is in the range of \$150,000 or \$170,000, so we will put that figure in later, and then we will process the application.' I cannot understand how it works. As I say, there is 'All Aboriginal band, amount to be determined, 9 February'.

Another one here, aquaculture, 1 July 1997, was referred to the agent: amount to be determined. I know what it costs to set up an aquaculture industry because I have most of it based in my electorate. Where it says, amount desired, do you leave that open, sort out your business plans and say, 'I wouldn't have a clue'? But we send it to an agent—and the agents are supposed to be the whizzbang guys in Australia. They will say, 'Well, it sounds all right. In order to set six fish cages down at Port Lincoln, that will cost you \$1.7 million.' Then they put it in and it goes off to A-G's for a legal tickle. How does it work? I do not know. As I say, something like 40 per cent of all these applications are 'amount to be determined'. How does it work?

Mr Noviello—Mr Quick, it may very well be that somebody comes to ATSIC with a potentially sound business idea, but without a real concept of what it may cost to get into that business. The actual cost of setting up a business would be determined at the end

of the development of a business plan, with the assistance of the business agent. That there is no amount that is indicated on this chart as to the loan that they are looking for does not necessarily mean that they have no idea, but it is obviously something that the business agent will be able to define more clearly after a business plan and/or a feasibility study is completed on the establishment of the business.

Mr QUICK—Okay, I am happy with that. But what about the person who, in all good faith, puts his application in and says, ‘Look, I want to borrow whatever it is for the hotel—\$75,000.’ And his is referred to the agent. Is there a priority to say, of the 129 applications and 73 in South Australia referred to agents, how many of them are—I have not worked it out, but I could, I suppose—‘amount to be determined’? But how many have done the right thing and said, ‘Look, in the case of purchasing a hotel, we want to do it for \$75,000’? But it took them nine months. Are those genuine applicants with a clearly defined amount in the box being lost in the system because the agents, for whatever reason, are saying, ‘Well look, we’re spending more time on the amounts to be determined,’ which is 60 per cent in South Australia’s case. That is why we are hearing people saying, ‘The bloody system is stuffed.’ It really is. We can drag in Deloitte Touche Tohmatsu and Huskins or whatever it is and say to them, ‘Look, tell us how it works.’

Mr Noviello—I think I could probably answer that for you, Mr Quick. Essentially there is no priority given to those who are able to put a specific amount on their application or in their proposal.

Mr QUICK—Should there be?

Mr Noviello—Not necessarily, because in a lot of cases what happens is somebody puts an amount on an application which will change after the development of a business plan. For argument’s sake, a lot of people tend to leave off the requirement for some operational capital. It is no good setting up a business if you do not have some capital to use for operations, at least for the initial six to 12 months.

Mr QUICK—But surely in the case of this hotel—stock at value, the price of a lease of a hotel, whatever it is—basically it is within a ballpark figure. Obviously, you guys have lent them \$75,000 but it took nine months. If I were that person, I would be rather browned off if I heard in the state that someone who wanted to buy a hotel for twice the amount virtually had it done overnight.

Mr Noviello—We do not know what the reasons are for that delay.

Mr QUICK—But I would like to know what the reasons are.

Mr Noviello—We will find out for you.

Mr CAMPBELL—I have some experience with these things and ATSIC cannot

be blamed for this. If someone puts in an application for a hotel, ATSIC will go back to them. They have got to register. That is on their books and that is an application. They will all go back to that group and say, 'What expertise do you have?' They wait for an answer. A lot of these, I guarantee, will sit there and you will never get any follow-up information. One of these days you will write them off, but until they do, there is no follow-up.

Mr QUICK—Assume I put in an application. I would not have a clue, but I would like to set up something in Burra for tourism and I do the process, saying, 'Well look, I know it is going to cost me X amount of dollars to take over the service station. The lease is going to be X, stock value such and such and whatever I have got to pay to the Shell company is going to be such and such.' I write it down. After it is all done and I have been through NEIS and all that sort of stuff, I get referred to an agency and I will be waiting for nine months, whereas someone else down the road, doing something else—

Mr Plowman—Mr Quick, I do not think we can necessarily assume that someone who puts down \$75,000 to do a certain business is going to be any more successful than someone who says—

Mr QUICK—I am not saying that. I am amazed that 40 per cent of all these applications, pages and pages of them, are 'amount to be determined'. That is surely going to require a hell of a lot of work.

CHAIR—Mr McGauran is going to ask a supplementary on that issue. I am supposed to be going around the table.

Mr McGAURAN—I may jump the queue because it relates to this issue. Is the real problem, looking at this list for the first time, that the criteria or the threshold must be too low? It seems to me you would have to be Westpac or one of the other trading banks to process so many. Many of the applications are not under any specific program. You are sort of left, as Graeme said, to sort out wish lists at times. Have you considered tightening the criteria so there is a basic threshold they must first satisfy? In Harry's mind it seems to be that it has to be a business plan disciplined enough to give you an estimate of the cost.

Mr Plowman—I think in a sense we have that. We were asked for applications. If someone comes to us and says, 'We want to do a certain thing,' then I think our state commercial units have actually kept a record of these in some detail so that they can follow up. We have threshold tests for approval, if you like, in a sense that they have to have a business plan and they have to be viable—

Mr McGAURAN—I am beginning to wonder: do you have to have a threshold for the application?

Mr Plowman—Coming to that question, I am also trying to grapple with some of the things Mr Quick was saying, and some of the things I said at the last meeting. We tried to put the point that we are not a pure bank. We are not just there to provide lending. So while I see the sense in what you are saying; that is, ‘We should only really be looking at those that come to us that obviously have a whole range of skills,’ we see our role as to try to help develop people and move people into that and give them the capacity to do it. I cannot guarantee it, but I suspect that if we take the situation where you have to have passed these thresholds, then maybe we are offering loans to people who do not need our help, and that our help in terms of advice and assistance can be used. That is a point. I do not know whether that helps Mr Quick.

Mr QUICK—One of the reasons I am asking these questions is that one of the terms of reference is: what impediments are there? If we have a category where you can say, ‘I am not too sure how much I want, but here is basically what I want to do,’ and there are other people who are going through saying, ‘I know how much you want. There is a realistic plan. I have gone through the process’—

Mr McGAURAN—You are saying they are more professional.

Mr QUICK—That is right. But for some reason, once they all go in to the business agent, it is like going into the washing machine and whichever one you pull out first appears to be the case. If you compare the date of lodgment and progress to date, there does not seem to be any rhyme or reason. As we are wandering around Australia, there is a sense of frustration in some communities that there does not appear to be any rhyme or reason. I refer you again to No. 9 in the Northern Territory. It says on page 2:

Build extensions to existing store.

Amount to be determined.

Lodged on 5 November 1996.

ATSIC staff to visit on 23 March 1998 to assess application.

I would imagine those people would be getting pretty ornery because that is nearly two years.

Mr Plowman—I do not know the details of that.

Mr QUICK—I would imagine they would be.

Mr Plowman—I just want to make it clear that it is not the intention of ATSIC or our staff to deliberately hold up—

Mr QUICK—No. I am not alleging that at all.

Mr Plowman—I know. I just thought I would put that on the record. I am sure that in each of these cases—I do not know the detail of each case, obviously—there was

probably some reason for that, which includes applicants sometimes not providing the information to ATSIC in order to do its job.

Mr QUICK—But one would assume that—

Mr CAMPBELL—What also happens is this: by the time ATSIC get out there, the community council has got a different idea on this development. You have an impasse in the community, and it might be for political reasons. ATSIC just sits there waiting for something to happen. It is all they can do. In fact, it may never happen. So either the community council or the regional council might disagree about whether they are going to support it.

CHAIR—Can I just interrupt; time is getting away from us. I will make a suggestion to committee members and to ATSIC. It is alleged on the public record that ATSIC's handling of these applications is less than could be desired—it is not as good as it should be, for whatever reasons. It seems to me that, in the interests of ATSIC, the committee's work and fairness, we should ask ATSIC to come back with some more information that outlines, first of all, the procedures that you have in your offices to deal with applications. Give us something that tells us how you deal with them from day one. Secondly, look at your current applications and indicate to us why they are where they are and why it has taken up to this time. It may not be possible to put in a short sentence but it may be in your interests to try to do so. We can revisit this after we get that further information. Is that reasonable?

Mrs STONE—Can we add in an explanation of who the agents are, how you choose these agents and how they then begin to establish the relationship with the applicants? If, for example, you are applying for a business development grant with the Department of Industry, Science and Tourism you have a mentor identified in the department who works with you right from day one. There is a very standard set of processes and procedures and time frames that have to be adhered to. I am just wondering what ATSIC does. Is there an equivalent type of process there?

CHAIR—You could add that. I am just conscious of the time; I do not want to cut you off Vince, either.

Mr CAMPBELL—We, hopefully, would not accept the standard of the science and tourism department as the level at which we expect you to operate, either.

Mrs STONE—They have it down pat in terms of the expectation and there is a lot of satisfaction with some of their work, let me tell you.

Mr CAMPBELL—Yes, and a lot of dissatisfaction, too. It seems to me that there is an perception that ATSIC does not deliver the services. I think that what we have to do is at the heart of this. I have four allegations which I say go to the heart of it. One is this,

that your regional councils are beset by nepotism, and in Canberra by ideology. Those things work against getting quick action. ATSIC does not have the necessary skills to provide business advice nor do the great majority of community advisers; there is no standard there. So that is a problem you have. ATSIC does not monitor projects—you say that yourself. What you do is step in with a heavy hand when things go bad. You are not in there saying, 'You are starting to go off the rails; let us have a look and give you a helping hand.' You do not have the capacity to do that, nor do banks, I might add. But ATSIC, as you say, is something more than a bank. ATSIC also hides behind guidelines of accountability. Very often ATSIC will say to me, 'We know there is something wrong there but we can't do anything until the community makes a decision.' I have had situations where you have had funded stores where the storekeeper is obviously roting it. There are always signs of that. ATSIC will know that and will say, 'Until the community makes a decision we can't act.' They know full well that the community will not make a decision because the storekeeper or adviser plays one faction off against another in the community and they will never make a decision. All those things are fundamental problems that ATSIC has and until they are addressed I do not think ATSIC can be effective in developing community development.

Mr Plowman—On a couple of those points, Mr Campbell: I did not say that we do not monitor projects; we have arrangements to monitor projects. I am just saying that I would not necessarily be aware of each individual project. But certainly arrangements are in place at the local level to make sure they are monitored.

Mr CAMPBELL—They are not. I actually reject that. I say that that is not the case. What you do is that you come in with a heavy hand when they get into trouble and you say, 'You have stuffed this up,' and close it up.

Mr Plowman—I am certainly interested in the comment that we hide behind the guidelines of accountability because we are extremely accountable and we are quite highly scrutinised so I am sure we do not hide behind it.

Mr CAMPBELL—There are two levels at which that operates; that is exactly what I mean. At that legal level, yes, you hide behind all those guidelines. You will never go out into a community and say, 'Look, you should not have done that but if you do this we can rectify it this way.' I cited a case last time with Yagar, the community that used CD funds to buy fuel. ATSIC said, 'This is outside the guidelines; we are going to cut off your CDEP.' As it turned out, it was the only community that had fuel through the wet. ATSIC were absolutely accountable behind the guidelines but they did not go out in the field and say, 'Look, in the circumstances we will do this.' That community actually had verbal advice from ATSIC that they could do it. I have a situation in Kununurra which I am very concerned about. I think the ATSIC office is deliberately thwarting developments which would enhance the community at Balgo, which is a disaster area. I feel very strongly that it has been deliberately thwarted by ATSIC officers who see it as a threat to their power base.

CHAIR—Can I just come in on that, Graeme and other members? ATSIC has indicated its willingness to respond, given reasonable notice, to any specific issue and any specific project. So I again ask members to please let us have them so ATSIC can take them away, research them and come back. We need to do that. Harry has one more question, he promises me, and then Tony, who has been waiting patiently.

Mr QUICK—Going back to the process, on page 4 of 13, under Northern Territory, the 13th one from the top, ‘Set up a fishing project, amount to be determined, date of lodgement 21 August 1997’. It says, ‘Waiting assessment by ATSIC but not recommended by the agent.’ So, if the agent says no, do you guys still assess it? How does the process work?

Mr Plowman—Yes, I can explain that, Mr Quick. The agent does not have an ATSIC delegation and cannot make a decision for ATSIC, so what actually happens is that an ATSIC delegate must make the decision. I think that is what it means, that although the business agent has not recommended it, it still has to go through a formal process of approval or decline because, under loan programs, ATSIC applicants have the capacity to appeal. So they would have to get a formal decision.

Mr QUICK—I would be interested if you could provide the committee with information on the number of loans in the last 12 months that were knocked back by business agents but were passed by ATSIC.

CHAIR—On that one, you may as well provide the number that went to appeal and the outcome of those. We will start to get a snapshot of all of it then.

Mr McGAURAN—Mr Chairman, the process is important, but Graeme Campbell has asked some fundamental questions about the very basis or premise upon which this system operates. There will be an answer to Mr Campbell’s question?

CHAIR—That is what I am saying. ATSIC has been very cooperative with this committee. I want to put it on the public record that I appreciate it is a difficult issue and that we will work together and we will come through. ATSIC have said that, for any member who has any specific project or application or allegation, if we can have it in an orderly manner, they will go away and it will come back here and be part of the transcript, in camera if it is one of those issues, or publicly. But we have got to be fair to ATSIC and let them know what the issue is so they can research it. That is the basis of the inquiry while I am chairman. We will be as fair as we can and we will not make any decisions or judge anyone badly until we know all the facts. Is that reasonable?

Mr Plowman—Excellent.

CHAIR—Graeme has a unique knowledge of these areas, and I am very keen for Graeme to assist us by making his particular circumstances available.

Mr TONY SMITH—Are you able to say, and it may have been in other figures that I have not seen yet, how much has been lent since 1970 and how much has been recovered?

Mr Noviello—I believe we provided that information in our first submission.

Mr Plowman—I think \$80 million was in the original submission as the amount that we have lent since 1970. I do not know that I can give you the detail. I think it was \$80 million.

Mr Noviello—It was \$80 million that we had lent since 1970, but I cannot recall the figure for—

Mr Plowman—I do not know about repayments, and I am not sure we can but, in that original submission, we also talk about arrears. I do not know if we have the repayments since 1970, but certainly the value of the portfolio as it stands as about 17 January was about \$39 million. That does not mean, of course, that \$40 million has been repaid because there is a whole range of interest and things like that. It is probably too large a task for us to go back and look at each year to get the repayments. On page 12 of our original submission we give some details of loan arrears. I do not know whether that helps, Mr Smith.

Mrs STONE—So 50 per cent of BFS loans were in arrears?

CHAIR—I might add a quick snapshot that, since 1970, historically it seems that every government, in every two- or three-year term of parliament, presides over about one to two, on average, major strategic changes to the programs and who administers them. Trying to get a snapshot from 1970 on is a really big task because every time you do it you have to factor in that it is a new program at a different organisation. It is very interesting.

Mr Plowman—That is why, in our most recent information, we have given you loans in the last two fully completed financial years and up to date now. I think, to make the point, since 1993 when there was reform to the program in terms of creating business agents and creating a greater degree of assistance, advice and supervision for borrowers and other people, the arrears have dropped considerably. We see that there has been a greater performance since 1993.

Mr TONY SMITH—I think I asked last time about the completed loans definition. You say they are those that have been fully repaid. I think I asked if that meant fully repaid in total or by way of settlement if there have been disputes about it?

Mr Plowman—Given that you did ask that last time, I thought we would provide just a little bit more information on that. The advice we have is that, in terms of a

completed loan, they have been paid out by the client and no portion has been written off.

CHAIR—Could I interrupt and ask that that document, which is headed, ‘Exploration of loan status’, be admitted into the evidence as an exhibit.

Mr Plowman—That will help inform that original submission as well.

CHAIR—It is so ordered. Thank you.

Mr TONY SMITH—Are there situations where property has been seized and sold and that sort of thing?

Mr Plowman—Yes.

Mr TONY SMITH—Warrants of execution and that sort of thing?

Mr Plowman—Yes. We are required to take all necessary steps to recover loans made.

Mr TONY SMITH—Yes. There are situations here written off. Are written off loans tied up with inactive? Effectively they are written off once you have taken all the steps and the balance remains outstanding.

Mr Plowman—Yes.

Mr TONY SMITH—I have two more questions. You said before something about awaiting confirmation of aboriginality.

Mr Plowman—Yes.

Mr TONY SMITH—There has been a lot of controversy about this recently in relation to arts frauds and so forth. What is the test, how stringently is it applied, and how much investigation is done?

Mr Plowman—If they are an Aboriginal corporation, that is sufficient. They obviously go through the registrar of Aboriginal corporations or they are controlled by Aboriginal people and Torres Strait Islanders if they are a corporation incorporated under some form of state law. But, for individuals, they basically have to get a certificate from an Aboriginal organisation which certifies three things: firstly, that they are of Aboriginal descent; secondly, that they are identified as such and, thirdly, that they are identified as such by the organisation or the community within which they live.

Mr TONY SMITH—Who certifies that?

Mr Plowman—An Aboriginal organisation under their common seal.

Mr TONY SMITH—Where they do not have any involvement. That individual himself or herself would not be part of the organisation that does the certification.

Mr Plowman—They may be part; they may be a member.

Mr TONY SMITH—But one would not be voting on the issue of certification?

Mr Plowman—I would imagine not. I imagine the directors would do something like that.

Mr CAMPBELL—In many cases, the holder of the common seal is one person who will act unilaterally.

Mr Plowman—Generally, if they are a member of that organisation they would be Aboriginal anyway. I mean, by the very nature of the organisations.

Mr TONY SMITH—Arguably, it is a bit like establishing a false identity: the more stamps you get the more true you become. I guess at the end of the day there are a few question marks there. In relation to liability, is there any danger that the Commonwealth could be held liable for consequential losses that may arise in relation to Aboriginal businesses generally? Is there a way of tracing it back to the Commonwealth?

Mr Plowman—Unfortunately, I am not a lawyer but we have a number of cases from time to time where individuals—that is, business people, other people, non-Aboriginals—write to ATSIC, the minister and the like, suggesting that the Commonwealth provide for the debts of organisations. Organisations, of course, are individual corporate entities. They are responsible under the Corporations Law. They have normal legal requirements to act in a proper way. They are subject to the laws of the land. By virtue of the fact of ATSIC providing a grant or loan funding it does not, in my view, make ATSIC responsible for any of their debts.

Mr TONY SMITH—I understand your view is not a legal one. Have you had any legal advice about this? I have been advised by a senior public servant that there is a potential problem in this area.

Mr Plowman—I do not think I have ever sought legal advice on that, no. If you gave me the name of the senior public servant, I could contact them and talk to them about it.

Mr TONY SMITH—But you do not propose to look into that matter? I mean, there is, arguably, a potential danger for consequential losses that could arise in a situation where somehow or other it could be traced back to the Commonwealth.

Mr Plowman—I am not aware, to take a similar situation, of banks being responsible for the debts of companies they loan finance to.

CHAIR—That is a pretty robust response. What do you say to that, Mr Smith?

Mr Plowman—I do not know why ATSIC or a Commonwealth agency would be any different in such a situation. I am not averse to getting advice about it but I do not think it is a situation that we would find ourselves in. The Commonwealth, through a whole range of agencies, grants funding to a whole range of organisations. I have not known of any circumstances where the Commonwealth has been found liable for the debts of those organisations if and when they are liquidated.

Mr TONY SMITH—I am not talking just about debt. I am also talking about consequential loss.

Mr CAMPBELL—That sounds a good question for the Attorney-General's Department. There are clearly cases around the common law where, if a Commonwealth department was culpable or responsible for the fate of a business, they would be liable and they could be sued.

Mr Plowman—If we were negligent, I would imagine that. There are probably circumstances there in terms of how we make the decision but I am thinking of circumstances where we normally make a reasonable—

Mr CAMPBELL—I am sure people in that circumstance would not get the finance to take you to court.

Mr Plowman—No-one has ever taken ATSIC to court on those sorts of things.

Mrs STONE—I am interested in the joint venture situations where up to \$500,000 can be loaned in joint venture situations with Aboriginal corporations. With respect to the experience of those loans compared with the non joint venture situations, is there a significant difference in outcomes or in the sorts of enterprises that people go into? When we took our hearings out in the field there was one particular joint venture prospect where they looked at ATSIC funding and decided that it was easier to go some other way because of all the particular hurdles they had to cross. How do the joint venture situations shape up compared to a straight ATSIC grant to an indigenous group or individuals?

Mr Pak Poy—I think we will probably have to take that on notice.

Mrs STONE—Just a comparison of the sorts of enterprises, the sizes of the loans, and their performance.

Mr Pak Poy—Okay.

CHAIR—Any questions, Mr Campbell?

Mr CAMPBELL—No, but there is one point. I think in many ways ATSIC has been set an impossible job. There are situations where account controls are put in communities, but they might not have been put in by ATSIC; they might have been put in by the Mulan community in the Kimberley by the office of the registrar. The performance of that account controller, I believe, was appalling. ATSIC understood that and ATSIC, or the Kununurra office, was fairly paralysed. In fact, I said that I would put questions on notice about it for them and they all said, ‘Goody, goody.’ I asked them to provide me with the questions, which I did not get, but it was quite clear that there was no supervision of that accounting problem.

Some of these account controllers get very big money, and this goes against the area of accountability. Sure they are accountable but what we do is screw some community to the wall with auditing, and the account controllers are paid for by the communities. It just crucifies the lot of them when what was needed was some commonsense advice and perhaps a bit of head knocking in the community, which ATSIC seems unable to do. It seems unable to get the community and say, ‘This is what you need to do. You had better go this way.’ It says, ‘We have to consult the community.’ But it is taxpayers’ money that they are dealing with.

This gets back to what I have said all along: the community adviser or at least some person in the community should be an ATSIC employee, not a community employee. There is absolutely no security for that person. An adviser in a community is at the mercy of some influential people, usually the chairman. If he were an ATSIC employee, he could get some accountability because the community could not sack him. The minute he starts saying, ‘You have to do this, you can’t use that and you cannot do that,’ he will get sacked. I have been trying for 15 years; I am not expecting success.

CHAIR—We have reached a stage where we have other witnesses.

Mr QUICK—Can I ask one last question?

CHAIR—Certainly.

Mr QUICK—Is there a maximum loan to individuals or to communities? I notice in one of the New South Wales applications there is \$1.572 million for a cultural centre and a keeping place, and in Queensland \$3.1 million for a motel. Is there a maximum?

Mr Plowman—The advice I have is that we have an informal limit of half a million—individual or community—but we can still consider things above that. It would depend on the particular venture, and such a high loan would probably be referred to Canberra for consideration.

Mr QUICK—So the \$3.1 million would go through a different process?

Mr Plowman—It would go through the same process but it might go to a higher delegate because it is such a large amount.

Mr QUICK—What do you mean by a higher delegate?

Mr Plowman—It would not be considered at the state manager level. It would probably come to Canberra and be considered by someone sitting in the position I normally sit in.

Mr QUICK—Again, is there are cut-off? With \$500,000 to a million dollars, can the state person say yes or no?

Mr Plowman—I can provide you with a list of our delegations and the financial limits, if you would like.

Mr QUICK—We certainly would. It would make this whole process a lot clearer.

CHAIR—I thank ATSIC and all witnesses again. I would like to foreshadow that we will be writing to you with a number of questions that we have not had time to ask today, and I would ask that you reply. They will become part of our record. You are welcome to stay, and I do thank you for coming along again today.

[5.55 p.m.]

BRIGGS, Mr Paul Anthony, Chairperson, First Nations' Aboriginal Credit Union, PO Box 2013, Shepparton, Victoria 3620

DAY, Mr Joe, Committee Member, First Nations' Aboriginal Credit Union, PO Box 2013, Shepparton, Victoria 3620

SAUNDERS, Mr Kenneth Joseph, Committee Member, First Nations' Aboriginal Credit Union, PO Box 2013, Shepparton, Victoria 3620

WATTS, Ms Glenys, Committee Member, First Nations' Aboriginal Credit Union, PO Box 2013, Shepparton, Victoria, 3620

COLE, Mr Rowan, Strategic Development Manager, Advantage Credit Union Limited, 600 Collins Street, Melbourne, Victoria 3000

GRANICH, Ms Marion, Field Officer, Aboriginal and Torres Strait Islander Section, Creditcare, PO Box 51, West Perth, Western Australia 6872

CHAIR—Welcome. 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. So that you do not think I am singling you out, that is what we say to every witness. It is a normal formality. Before we ask you some questions, do you have an opening statement that you would like to make? In particular, do you have a written submission, because we do not have one from you?

Mr Briggs—The development of First Nations' Aboriginal Credit Union has a very long history around the development of tools to assist in the development of some sort of approach to economic development in Aboriginal communities and the transfer from welfare dependency type models. At present, that is not possible. There are no tools that exist that enable that to happen. The development of First Nations', in its present form, is about 10 years old in terms of looking to develop a financial institution that would look after the interests of Aboriginal people. Aboriginal people do not have a relationship with existing financial institutions, and we feel that current financial institutions are not meeting the needs of Aboriginal people.

The basic roots of it are that a lot of our people are on DSS type benefits. A lot of the demand for support around finance comes to the welfare agencies, the Aboriginal organisations that sit in Aboriginal communities around Australia. That is all around crisis management in terms of helping to pay SECs and in other rental situations and so forth. There is no other form of getting education or development into the Aboriginal community that works around financial management. Financial counselling does not happen in

Aboriginal communities, so people with the crisis are still not getting assistance.

The concept then was to look at how we address it. Do we work with a current financial institution like a credit union; do we work with financial counsellors that exist in mainstream organisations? How do we develop an approach to economic education, I suppose, in the Aboriginal community? The thought was that there are a number of things to consider. One is that we have to work with our kids to create a culture of change in relation to financial management in communities, that to make the shift from a welfare dependent model of our existence at present to a more economically sustainable one of empowerment and people having control over their own resources is going to take a major relationship development with an existing organisation or the development of our own organisation.

We do not have a huge resource base in the Aboriginal community but we wanted to see how we could manage better what resource base we do have. Currently, the very limited contact we have with financial institutions relates to our role with the banking systems—the Commonwealths, the Westpacs and the Nationals and so forth. We wanted to harness the income that exists in the Aboriginal community or the moneys that are generated within Aboriginal organisations. We thought that, if we could at least do that, we would be going part of the way to creating a more controllable situation around economic development.

Over the past six years, there have been two state economic development conferences in Victoria. Both of those echoed the concern about the powerlessness of not knowing the road to make the shift from welfare dependency to having an economic base. Everyone who presented at those conferences and the consultations that were held talked about the need to have an independent, Aboriginal financial institution that would look at this issue and become a tool for the Aboriginal community to use.

CHAIR—Paul, I do not wish to interrupt you because what you are saying is very important to our inquiry but, when you use the word, independent, does that mean ‘stand alone’ and ‘free of government’?

Mr Briggs—Yes.

CHAIR—Right. So competing in the marketplace to attract Aboriginal money from Aboriginal individuals and communities?

Mr Briggs—Yes.

CHAIR—They would make their own decisions whether they would put their money with you or not?

Mr Briggs—That is right. It would become an option for Aboriginal people to use.

We think that it would also be an option for levels of government to use an institution like First Nations' as a mechanism for delivering their services and programs.

CHAIR—A contract agency?

Mr Briggs—Yes.

CHAIR—Why haven't you got thousands of people knocking on your doors asking to support you? What is the problem? What are the hindrances/impediments to getting on the way?

Mr Briggs—I presented to the annual general meeting of credit unions on the Gold Coast two years back. One of the credit unions present at that conference indicated to us that they would exercise their—I do not want to call it a 'conscience vote' but I am looking for a word there—to say that credit unions, in particular, have been working with other peoples outside Australia in developing financial institutions and credit union movements but nothing has been happening in Australia in terms of assisting Aboriginal people to develop controls around financial management.

Piccol Credit Union, as it was known at that time, indicated to us that they would be prepared to work with us to look at developing a partnership around an incubator model of Aboriginal credit unions so that they would mentor us and we would work within that.

Mr KATTER—Who is this, Paul? Who was doing this?

Mr Briggs—It was known as Piccol. It is now Advantage Credit Union. In the past two years, we have been extensively talking through this relationship—about what it actually means for First Nations or for an Aboriginal approach to credit union development to sit within an existing credit union—to look at how that partnership operates and at the intricacies of how it then separates and becomes an independent body.

It has taken us two years to work through that relationship. The relationship has gone from one of a dinner with the CEO to a very strong relationship with the board and members of Advantage, through Creditcare Australia assisting us in that process. We are now at the point where we are making a formal submission to ATSIC to assist us in resourcing the development of First Nations' with a view to hopefully kicking it off in the new financial year.

CHAIR—How much have you asked for, Paul?

Mr Briggs—Sorry?

CHAIR—How much have you asked for in terms of resourcing? How much is it

that you are seeking?

Mr Briggs—The budget that we are seeking is in the order of \$670,000 for First Nations' to get up and operate, on a conservative estimate that it would have a break-even operation within three years.

Mr ENTSCHE—Have you had any other funding from ATSIC or is this the first?

Mr Briggs—The submission to ATSIC is going before the board of commissioners in April.

Mr KATTER—Most credit unions are based upon some employment group. In Victoria, you would not have any sort of employment group of people of Aboriginal descent, would you?

Mr Briggs—We have got approximately 30,000 Aboriginal people in Victoria.

Mr KATTER—If you go to Queensland, you just run out to all the shire councils, of which there are 28, and sign them all up. They have 2,500 employees. It is instant credit union in Queensland, but you have not got anything like that in Victoria, have you?

Mr Briggs—No.

Mrs STONE—You are going to get each individual depositor separately, aren't you?

Mr Briggs—Yes.

Mrs STONE—As Bob was saying, you have not got any centralised point where you can en masse sign a number of people on pay day.

Mr Briggs—No. We have spoken to Aboriginal organisations in Victoria. We have an estimate of something like \$60 million that floats through the Aboriginal organisations or the Aboriginal industry, as it might be termed.

Mr KATTER—How many employees would there be that you could tap there from Aboriginal organisations?

Mr Briggs—I am not too sure of the exact employee—

Mr Saunders—One organisation that I worked for is Mirimbiak Nations Aboriginal Corporation, which is a representative body for the state of Victoria.

CHAIR—How many members?

Mr Saunders—Twenty-four.

Mr ENTSCHE—But this is not intended to be just limited to Victoria, I would assume.

Mr Saunders—No.

Mr ENTSCHE—It is a nation wide—

Mr KATTER—Paul, you do realise that, in Queensland, there are 28 local authorities constituted under the community services act. They are proper functioning shire councils, just the same as any other shire council. They have elections the same day as any other shire council. They are turning over \$40 million or \$50 million, with about 2,500 employees. I love what you are doing. I really think this is great, but there is a very fertile field up there. Is that the sort of thing that you would be interested in?

Mr Briggs—We would be hoping, in regard to people in the other states, that First Nations' would be a resource that people would use. In the work that has been done through Creditcare, and so on, the general feeling is that Aboriginal communities nationally from around Australia would seek to use the services of First Nations'.

Mr KATTER—Mr Chair, I cannot help mention Paul's constant use of the words 'empowerment' and 'powerlessness'. When I was appointed minister in Queensland, I got the two definitive reports on Mornington Island and Aurukun and those were the words that constantly and continuously came up, in the very in-depth studies that were done on both those communities. I always believed that one of the most important developments was what you people are talking about here. We were in the process of attempting to do it when the government fell in Queensland.

Ms Granich—Mr Katter, if I could respond to your questions—

CHAIR—Marion, before you do, just give us three or four sentences about what you do, so that we can get the link in all of this, please.

Ms Granich—Sure. Creditcare sits inside the credit union movement. It is a joint project by the federal government, the credit union movement and also now the state government of New South Wales. The background to Creditcare is providing financial services against a background of bank withdrawals from country areas.

I happen to work in the Aboriginal and Torres Strait Islander section of Creditcare. Creditcare's brief, as a whole, is to do something about the loss of financial services in country areas. In the Aboriginal section, it is not restricted to rural areas because it is recognised that Aboriginal and Torres Strait Islander people suffer problems in relation to financial services both in the country—they are more extreme in the country areas—but

also in urban areas. So that is Creditcare.

My relationship with this First Nations' project began in 1995. Before I speak about that, before Paul started, when I asked whether you would like me to talk to that, I was not referring to the issues that Paul covered. I was referring to the submission. I apologise to the committee that we have only given our submission to you now. Obviously, you have not been able to read it. I would like to present you with that.

Mr KATTER—That is from Creditcare.

Ms Granich—No, this is about the First Nations' project.

Mr KATTER—Why would you be putting it in instead of First Nations? Isn't that disempowerment?

Ms Granich—I certainly hope not. I hope that the time I spent at the computer writing it empowers the Aboriginal committee members that I work to, to do all the other important things they do.

Mr KATTER—I disagree with you. But I will stick by my statement.

CHAIR—Is it the wish of the committee that the submission provided by the Victorian Aboriginal Committee for Credit Union Development, Creditcare project, Advantage Credit Union and First Nations' Credit Union development be accepted as evidence to the inquiry into indigenous businesses and authorised for publication? There being no objection, it is so ordered.

Mr Cole—Regarding this submission, First Nations' does not have a legal entity yet. As part of the submission, it will start out as part of Advantage Credit Union. This is where Creditcare is acting as a facilitatory role, with secretarial services and other items. That is why it is coming from Creditcare.

The thoughts in there have been put together by VACCUD, Victorian Aboriginal Committee for Credit Union Development. This is the first group of people to be putting this together, with input from Advantage and Creditcare.

Mr KATTER—I do not mean to be disrespectful in any way to Ms Granich but, Paul, as long as you have somebody else doing it for you, you will not get what you are after.

Mr Briggs—It is about how you use the resources you have got, that are available to you—whether it is a black resource or a white resource, whether it is Creditcare or somebody else. We determine how those resources are used through our committee processes and how we put this information before you. That is not to say that we are not

in control of the process.

Mr Saunders—You have not changed, and I doubt that you ever will; at least you are honest and straightforward. The thing is that we have not got the resources, as Paul was saying, to put all this together ourselves at this particular stage. In the incubation period, Advantage and Creditcare are looking after us. As committee members, we have the ultimate say around the table. We still have the power.

Mr KATTER—I hope you are getting my message.

Mr Saunders—Definitely.

Mrs STONE—You have got your application up to ATSIC for funding—a substantial amount of dollars. If that does not happen, if you do not get the full amount or you do not get sufficient to do what you want to do, where do you go from there? Is there another process? Does it depend on ATSIC funding for you to move forward?

Mr Briggs—Largely, it does depend on ATSIC to provide those initial dollars to resource it to give it a kick start.

Mrs STONE—And what does the ATSIC funding buy for you?

Mr Cole—I suppose it will be a matter of degree how quickly and how far we go. The question before was: why aren't people flocking to join it at the moment? It is because we do not have brochures, separate cards or other items all badged as First Nations' out there. The application to ATSIC at the moment covers salaries for the first two years—100 per cent for the first year; 50 per cent for the second year—designing the new logo, production of the software to run different cards on our system, an office in Shepparton, the computer equipment associated with that, some of the training and some operational expenses of running the credit union in the first three years.

The grant application actually covers a fair bit of the expenses for the first year plus some set up, a lesser proportion for the second year and nothing in the third year. In regard to the partnership arrangement or how this is working, Advantage is here thinking, 'Yes; this is a wonderful idea. Yes; we would like to help with this, but we can only go so far in terms of how much time and money we spend on it.' That is where it has been—on specifically identifiable items which we would not otherwise be incurring, and it is not my time at the moment. When we are actually putting the credit union together, for those specific items, we have asked for ATSIC to provide funding.

Mr ENTSCH—I will be reading your submission with interest.

Mr QUICK—Not being a Victorian, how many branches do you currently have that people can access in this transition period?

Mr Cole—Advantage is the largest credit union in Victoria and the sixth largest in Australia. It has \$500 million in assets and 110,000 members. We have only 13 branches. To us, branches are not that relevant. What is happening at the moment, and what we see will be happening with the First Nations' Credit Union, is that most of the people are paid electronically—whether salaries, or benefits. Then they use cards and cheques to take the money out remotely, whether it is EFTPOS, ATMs, or in our case, through the giropost network of 2½ thousand giropost post offices around the country.

Mr QUICK—I live in Jeparit. Where is the nearest branch—Horsham?

Mr Cole—Of First Nations', it would probably be Shepparton.

Mr QUICK—No. I mean for Advantage.

Mr Cole—For Advantage, at the moment, it would probably be—

Mr QUICK—Ballarat?

Mr Cole—No. Melbourne, for Metropolitan Melbourne and Canberra. However we have already got members right around the country, including right throughout country Victoria. Our members in those locations, as I said, are normally being paid electronically. Then they will use cards and cheques to take the money out. If they need to talk to a person, they can phone us. If they need to deposit cash, or for some reason they do not want to use EFTPOS or cheques or an ATM, then they can go to a giropost office, talk to a person, deposit money, open a membership—

Mr QUICK—But giropost does not really start until 1 June, does it?

Mr Cole—No. We have been online with giropost from 1 December 1996.

Mr QUICK—I know Westpac plastic cards are available at certain holes in the wall. Are you are part of ANZ, or—

Mr Cole—No. You can use our ATM cards in 99 per cent of ATMs in Australia. Every major bank and all the credit unions at—

Ms Granich—So access for the First Nations' member will be excellent and it will be national.

Mr QUICK—That is just sort of picking up stones and finding out.

Mr Cole—That is fine.

Mr Saunders—Mr Quick, I am a member of Advantage. I have not had any

problems with my card, and I use it—

Mr KATTER—Are you in Queensland, as well, Ken?

Mr Saunders—Yes.

Mr QUICK—In relation to First Nations', do you have to be an indigenous person once you are up and running? Could we put our money in?

Mr Saunders—Yes.

Mr Briggs—We would expect you to put your money in.

Ms Granich—One of the key decisions that this Victorian Aboriginal Committee for Credit Union Development took was that it would allow non-Aboriginal membership. We see that as having a huge potential market. It is what is called the ethical investment, the non-Aboriginal member who would like to support a positive Aboriginal initiative.

CHAIR—So it would be reconciliation—

Mr QUICK—So it would be a \$10 share like a lot of other credit unions?

Mr Saunders—Correct.

Mr QUICK—Paul, how long do you expect ATSIC to take before they give you the tick or the cross?

Mr Briggs—The end of April.

Mr QUICK—It has got pretty widespread ATSIC support. You have been obviously lobbying around the traps.

Mr Briggs—At this stage it has got widespread support, but you cannot give it a tick until it crosses the line.

Mr QUICK—So assuming that in April, just after Easter, before Mother's Day, you get the big tick, what is the next process—the start of the financial year 1998-99?

Mr Briggs—Yes. It will not take long to actually get it into motion. It is already set up with Advantage to take—

Ms Granich—The waiting on that application—everything else is set to go—the two years planning processes detail and planning documents are there. It is a matter of advertising for positions.

Mr QUICK—I am interested in the whole concept of cards and things. Are you going to make a quantum leap into the 21st century with smart card and the Mondex type system, or are you going to just flow along like all the current cards we have got? Or are you going to take advantage of the technology that is currently being trialled with the Mondex card that is operating in, say, Europe and America?

Mr Cole—Advantage Credit Union is affiliated with Credit Union Services. It looks after about 88 per cent of the credit unions in Australia. They have already been involved in smart card trials on the Gold Coast, and in Newcastle and Sydney. When it is appropriate we will introduce it. That means it is when our members—and this is Advantage's members and First Nations' members—are up with the technology. We are very rarely a leader in terms of doing things like that, although the credit union was the first one to introduce an ATM. We are definitely a fast follower, in that, at the moment, yes, we have got Internet banking. You can do all of that; you can do everything over the phone. I suppose the access that our cards have at the moment is wider than most other institutions. We are also the first and the only credit union in giropost.

Mr QUICK—Assuming you get the big tick and you are under way, do you expect ATSIC—whoever they bank with—to put their hundreds and millions and billions of dollars through you guys and then use the system?

Mr Saunders—Yes.

Mr Briggs—I think they bank at Westpac at the moment.

Mr Saunders—What we would like ATSIC to do is give us their business funding loans plus their housing loans.

Mr QUICK—What sort of money are we talking about there?

Mr Saunders—I do not know what their budget is.

Mr QUICK—It is huge dollars.

Mr Saunders—We could see Advantage and First Nations' actually giving A class service to Aboriginal people throughout Australia through their indigenous business loans plus their housing loans.

CHAIR—In the few minutes we have, could you give us a briefing on your proposals for providing business banking services for indigenous people?

Mr Cole—Yes. That is something that we will grow through. I might not be as advanced as the Aboriginal members might like. Credit unions do business banking and so does Advantage but, at the moment, that is a small part. We see the need growing. I am

already talking to Mirimbiak about how we can take over their business banking. It is something that we have not been in because it has not been our focus to that extent. The demand is there and this is going to be driven by the First Nations' committee. We have the software and details to handle it, but there is the factor of being able to put the packages together so that something is competitive and suits the organisations. That would be there as it evolves.

Mr KATTER—About one kilometre from where we are sitting now, a bloke walked in and said it would be a good idea if they started off one for the second nation. They gave him £27,000, if my memory serves me correctly. The present people flogged it off about five years ago for about five hundred thousand million pounds. It is called the Commonwealth Bank.

Just as the economy of Australia grew, that bank grew with it. I cannot speak with authority about the other states, but there is no doubt that, when we get the enlightenment to put through private ownership of land in Queensland on that six million acres, you will see exactly the same development. We heard earlier on today from Warren Entsch. It was \$3 million from a standing start. There was no production off Bardu Island at all. Three years later, once they were given the right to private ownership, which was later taken back off them, they were doing \$3 million at Edward River, now called Pormpurraw. There were 360 head of cattle mustered by the government when they had control of it. When control was given to the local people, they mustered 6,000 head.

I am trying to say to you that wealth is being created that was not there before. That will go in and around that bank. So long as you can keep everyone else from getting their hands on that money, it will be one of the most important forces that will be unleashed into these areas to enable them to grow.

CHAIR—Would anyone like to add a comment on Mr Katter's observations?

Mr Briggs—If we can get this up, there is going to be an amazing impact on that type of environment and the families in the houses. The issue of getting our kids educated into financial management and creating that culture around financial management and the use of finances in the community is going to be of vital importance. It is going to be as important a tool for our people to use as it will be for governments for the delivery of their services and programs in the community.

Mrs STONE—You mentioned the educative role of the First Nations' Credit Union. How are you going to do that? We talk about the holes in the wall and access throughout Australia. You do not need the shopfronts and the people for that, but you do need it for this educative role and the face-to-face interaction, with people to say that this is what you should be doing with your salary by saving a bit here and investing a bit there. Are there going to be people at Shepparton and Echuca or wherever? Are you going to be employing advisers throughout the country? Is it going to be a telephone service?

Mr Briggs—That is going to be the growth part of how we do that without creating an infrastructure that you cannot sustain of salaries: trying to tap into the national use of CDEP and how that gets utilised and having that type of resource coming into the service delivery of First Nations', and also working with NGOs in getting people based in communities offering an information service through those mainstream networks or First Nations'.

Mrs STONE—So you will use other agencies that carry your message. It will not be First Nations' who will be employing financial counsellors all throughout Australia. If you have some CDEP program going on, you will expect financial counselling to be part of their job. Is that what you mean?

Mr Briggs—We would hope to be able to negotiate that type of arrangement.

CHAIR—You would offer a service of facilitating and networking.

Ms Granich—I have some quite recent information that is relevant to your question. I do not know whether we have been 100 per cent clear that the pilot we are partly applying to ATSIC for funds to support will be in Shepparton and two Aboriginal people will be employed there. One of those staff members will have very much a financial counselling community liaison role. Just recently, I have been speaking with people from the Kimberley where Aboriginal people have been interested in being a part of a credit union as long as people in Victoria have. They have been unable to get a partner in the process in terms of the big credit unions. They have knocked on the doors and the doors have remained closed to them. They are now very interested in the possibility of joining First Nations' as it becomes apparent that First Nations' will be available nationally.

In the instance of the Kimberley, they have a very clear plan already worked out. I think it is five resource agencies: Mamabulanjin in Broome and Derby, Fitzroy, Kununurra and one other one. Each of the resource agencies is prepared to set aside a room and subsidise a person's wage through CDEP. In the case of Mamabulanjin in Broome, they are custom building a room to house a credit union operation. There would be some infrastructure costs back to First Nations', such as painting a logo, et cetera. Uniform and consistent training can be provided to those people. For instance, CDEP will be one way the wages will be subsidised. There are other avenues. Financial counsellors are funded through various avenues and it is possible to make application to those.

At this stage though, Mrs Stone, basically we are concentrating all of our energy on the pilot in Shepparton. Like all good ideas, we have a very detailed plan, but it is theoretical. We really will not know that until we do the test run which is the pilot.

Mr QUICK—Ms Granich and Mr Cole, what is the international experience with indigenous people? What is happening in, for example, New Zealand or Canada or North

America? Are they more advanced than us?

Ms Granich—Mark Genovese, who is the manager of Creditcare, the year before last attended the credit union world conference in Vancouver where he specifically met with two indigenous credit unions in Canada to get a background for our First Nations' project. Mr Lieberman presented certificates recently at a development education credit union course which the credit union movement in Australia runs for this region. We bring together people from developing countries through South-East Asia, Papua New Guinea and the Pacific who are either currently running credit unions or setting up indigenous credit unions. It is a bit hard to summarise now, but there is a lot of work being done. There is a strong network between this VACCUD committee and other indigenous credit unions in the region.

Mr Cole—The North American credit union movement is so far in advance of ours generally, I think there are something like 11,000 credit unions there—

Mr QUICK—Indigenous?

Mr Cole—No, this is for the total population. There are a number of indigenous credit unions set up and running. I do not know whether some are credit unions or banks—there are indigenous banks—but America is probably the only area where it is advanced. The placement of it has taken the credit unions more so. New Zealand credit unions generally are behind us. It is Australia going out and helping countries in the Pacific with the credit union concept.

Mr QUICK—One of the things I am really interested in is the issue of micro-credit. I know how successful the Grameen Bank is and how it is replicated around the world. My hope is, once this is up and running, the issue of micro-credit for indigenous people, which does not seem to be addressed through any of the current structures, will be promoted by First Nations' and the credit movement. I think the credit union is starting to get its feet into the water in Australia, but we are light years behind what is actually happening around the world.

Mrs STONE—You do not have Third World economies giving women \$50—

Mr QUICK—No, but knowing the United States and Chicago and some of the really depressed cities such as Detroit, it is a \$US1,500 limit and, for that, you can really empower people.

Ms Granich—Joe Day just spent one week with people from credit unions from various developing countries in this region. There was a guy there from Dakar, from very near the Grameen Bank. He spoke personally of his and his family's involvement. Joe just spent a week with these people.

Mr QUICK—I am glad to hear that this is one of the planks that you are going to put in the thing.

CHAIR—Mr Lloyd has been very patient. He is wanting to ask some questions.

Mr LLOYD—I have a couple of questions on the logistics of it. Is this pilot going to be an existing branch of Advantage that is up and running now? Will it be a co-badge pilot—

Ms Granich—No.

Mr LLOYD—Or will it be an accepted First Nations' pilot?

Mr Cole—First Nations' specific.

Mr LLOYD—So it will be separate. How are you meeting the prudential arrangements that are necessary to set up a credit union? You are talking about ATSIC funding to get you up and running for the first couple of years, but obviously there are significant prudential arrangements that would have to be there.

Ms Granich—Absolutely.

Mr Cole—Basically, but there are two alternatives. You can start up a credit union from scratch, which is very difficult. There are a couple of credit unions trying to do it at the moment. It looks as if you need \$1 million of capital to kick it off so you can comply with legislation from day one. It has been considered and put to one side. This is detailed in the document.

What we are doing is hosting the credit union, or incubating it. Probably for the first three years or so, until First Nations' is large enough to be independent, it forms a part of Advantage Credit Union. We have been working with this concept with our state regulator, the Victorian Financial Institutions Commission, or VicFIC, and AFIC looks after us Australia-wide, although that will probably change with Wallis and the new regulator body at the end of the year.

What happens until it is independent is that the First Nations' committee is recognised as part of the Advantage structure, but Advantage Credit Union and the directors remain wholly liable for what is happening until it becomes a separate credit union. In terms of all the transaction processing, opening up the memberships, privacy considerations, credit code, credit union code of practice and so forth, it will be done Advantage's way to start with so we know it complies, and that will cover compliance. The audit of Advantage Credit Union will also cover First Nations', so that will cover the audit side as well.

Ms Granich—Also, you can imagine that not only is it the job of both of the state supervisory authorities, VicFIC and AFIC, to ensure that First Nations' meets those prudential requirements once it is an independent statutory body, but they are also very stringent, conservative and exacting, as they ought to be, about the name 'First Nations' even appearing, because we are taking people's deposits. Certainly, legally, they are going into the entity of Advantage Credit Union.

But what people see out there—or what they will see—is a lovely brochure with 'First Nations' written on it. We have already had meetings with the supervisory bodies. They are protecting the public's interest, and they take it from that point of view. It is just a shame that, in such a short space of time—because we have been through such a detailed process over three years—we cannot summarise all that quickly.

Mr LLOYD—No. That is fine.

CHAIR—We will revisit those things. Jim has still got the floor.

Mr LLOYD—No. That is fine.

CHAIR—Bob?

Mr KATTER—The words that Paul used I appreciate very much. Paul, as to financial advisers, we had financial advisers for three businesses on Palm Island—which admittedly were in trouble when a financial adviser was appointed to them. I was most reluctant to have financial advisers. If you are talking about empowerment or disempowerment, the minute that the financial advisers went to Palm Island they disempowered those people. As I anticipated, they immediately disempowered. Almost all of the 52 other businesses that did not have a financial adviser, bar about four, in fact succeeded. But, as with you, it was greenfields territory. Your chances of making money were reasonably good; that was a very high sort of rate.

But, Mr Chairman, I have to point out to Paul that, unless we get private ownership in the Aboriginal areas in Queensland, they have got no mortgage. They are not going to be able to give any money to anyone because they have got no mortgage protection over the loan. You simply cannot grow an economy without a mortgage and, at the present moment—as I have told people down here, Mr Chairman, on numerous occasions—we are locked into a situation where we simply cannot grow because we have got no mortgagability. Without that you are dead.

CHAIR—Point noted. We did get a preliminary comment from ATSIC on that very point today. Can I just ask this question—and I am happy to be told by you that you would rather not answer it today because it is a pretty sensitive one and you may wish to defer it—what are the exit arrangements between Advantage and First Nations' in three years time? Are you prepared to discuss that now or would you rather go in camera?

Mr Cole—Yes, I think I can. We have drafted up a document through thinking, ‘Okay, what do we want to do over three years by the time they reach the critical mass?’ I suppose it is more the issue of reaching a critical mass so it is okay to have a transfer of engagements out and create a separate credit union that will continue. We are proposing a process, and we are still getting legal comment back on it, of the First Nations’ board and the First Nations’ committee agreeing that yes, now is the time to separate. It can be initiated by either party.

In the case that there is disagreement, then it will go to the regulator at the time. That seems to be agreed by all parties because we are thinking of how else can we do it. If we can find a better way, we will. That seems fairly clear in that the Advantage board, starting out with the Piccol board, thought, ‘Yes, we want to do this, but the objective is to create a separate credit union’, and they have already agreed to that.

So, down the track when it is time to create a separate credit union, when they have got the critical mass, the Advantage board at the time, or management, can suggest that, okay, it is time to go separate. First Nations’ may suggest that, or even the regulator, but I doubt that. If there is any disagreement between the two, and in trying to imagine everything that can go wrong, Advantage might want the separation and First Nations’ may not; First Nations’ may want the separation and Advantage may not; or both may not or both may. Thinking of those possibilities, then we thought that we would use the regulator at the time as an arbitrator. We have got to get final confirmation of that, but that is what we are proposing.

CHAIR—I would have thought, perhaps, that ATSIC is looking at the financial arrangements on exit very carefully when public money is being put in to seed it. It is a very relevant issue, isn’t it?

Mr Cole—Yes.

Mrs STONE—Do you have a comment on that, Ken?

Mr Saunders—No, I just did not want to answer those questions.

CHAIR—Yes, I know they are difficult ones, but in the real world—

Ms Granich—They are questions that the regulator requires answers to, yes.

Mrs STONE—So you do not have a sunset clause as such. You are going to proceed down the path, expecting—in about two years time—that you may start to have discussions?

Ms Granich—No, that is not correct. It is specified that when—

Mrs STONE—You do have a specified sunset clause?

Ms Granich—Yes, when the credit union reaches \$20 million in assets, so there is a specified size. When it reaches that stage, then the two parties—

Mrs STONE—At whatever time it takes to reach that stage?

Mr Cole—That is right.

Ms Granich—And the two parties.

Mr Cole—That is what we see in today's terms as being the minimum critical mass before Advantage would feel responsible, meaning a credit union that is trying to incubate go and try to survive by itself.

Just returning to your comment, Mr Chairman, about the allocation of the public monies at the time of the separation, that has already been considered from day one. The systems that we have got in place pretty much already will allow that. First Nations' members are clearly identifiable so obviously all their assets, liabilities and undertakings will be transferred across, as well as the reserves clearly attributed to those members. We are setting up the system so that that can be accounted for from day one.

Mr KATTER—Rowan, presumably you are not doing this for the good of your health, and I view with some degree of cynicism people who tell me that they are doing it because they love black people. Where is the profit for you blokes in four years time when hopefully the blanket will be split?

Mr Cole—In four years time, at the end of the day, there is no residual financial benefit for Advantage Credit Union.

Mr KATTER—So why are you doing it?

Mr Cole—Basically, because the relationship that Paul had with our CEO, Rob Nicholls. It is one of things that Rob can see, that this is going to be a credit union point of difference. It is giving something back to the community. It is helping another cooperative. It is to do with these things which credit unions have as their core philosophy and principles. Along the way it is going to cost us some time and effort. We have drawn a line thinking that there will be this much and to do the rest of it, yes please, we would like some money from ATSIC or anybody else if there is other money around. But that is all there is.

By the time this becomes a separate credit union, we do not see it as being a competitor. Yes, we have Aboriginal members at the moment, that's fine, and we are likely to lose those. In overall terms that is not much for us. But along the way in terms

of asset growth and the profits that will be made when it becomes profitable—which we expect will be in the last part of the third year, up until that time it is not—they will be transferred out to the separate credit union and there will be no residual economic benefit to our balance sheet.

CHAIR—Can I just add that yesterday the Prime Minister hosted the first round table meeting at which corporate Australia came together with government with a view to developing, as the Prime Minister strongly believes we should, corporate partnerships with the community. Corporate life in Australia is about the lifeblood of making profits for shareholders and all of that, but also it is involving itself in building the nation and the community. This concept of corporate and community partnerships is being enhanced. I seem to detect that there is a lot of similarity in this one. As an organisation I commend you for that, it is very good.

Mr KATTER—Rowan, I do not think this is a bad thing but say in four or five years time or whatever it is, there would still be funds there to be invested and presumably you people would do the investing and you would make a charge for that. I am not being critical, I think that would be a desirable outcome.

Mr Cole—You mean excess funds from First Nations' credit union?

Mr KATTER—Yes. Quite frankly, in places like Queensland, unless they get private ownership somehow through this place and back through the Queensland parliament again—because it was kicked out—I do not see how you could make any loans at all in Queensland because you have no mortgageability for the 30,000 people who are living in the community areas. That means that there is going to be a lot of money there and in any event that has to be invested either short term or long term.

Mr Cole—The money being invested is going to be attributable to the specific Aboriginal memberships, whether individual or Aboriginal organisations, as First Nations' members. At the time that the credit union separates—the legislation is there, it is a partial transfer of engagements—the memberships go out and with them the liability from our side in terms of this money is on deposit and we need to get it back. We will split up what is in treasury. Whether it is in treasury or funded in loans for the Aboriginal people, that will also be split, what is specifically allocated to those members, to the new credit union because the new credit union will need that. It does not stay in Advantage Credit Union.

Mr KATTER—I think you have missed answering my question completely. In five years time you will have two organisations, you will have Advantage Credit Union and First Nations'. Is that correct?

Mr Cole—Yes.

Mr KATTER—First Nations' still has to make investments, right?

Mr Cole—Yes.

Mr KATTER—There are certain types of investment criteria which you people would be very well suited to handle. Presumably, you would still be handling that investment for a fee? I am not being critical, I think that would be a desirable outcome.

Mr Cole—You have considered something which we have already looked at. At the time of separation there is a no obligation and no expectation clause in there. Come that time, it might be quite desirable for both credit unions for First Nations' still to use Advantage's computer systems, Advantage's accounting expertise, Advantage's investment advice, investment expertise and any other items. If both of the parties wish to, that can be done and that will probably be done at some cost recovery fee. That could be there.

That is very minor in our overall considerations. Advantage has not done it with the intention of saying, 'Okay, at the end of the term we expect these items in there.' We have put it so that both sides can decide what to do. There is not the obligation to provide or to request and not the expectation that these services will be provided.

CHAIR—If things go well, First Nations' may very well do a lot of things for your organisation in years to come on an agency contract or whatever basis. So, it works both ways. There is the potential.

Mr Cole—Yes.

Ms Granich—It is worth stating that the other two major communities that I have been working with in Tennant Creek and the Kimberley, the other two large Aboriginal groups who have also approached, if you like, big white credit unions and wanted the same kind of arrangement that these guys have, they cannot get anyone. The credit unions are not rushing to provide this because it is very much a giving situation and at the end of the day, there is not a lot in it.

My job is to go and knock on the doors of the credit union managers and say, 'This is wonderful, Advantage is doing this'. In a much smaller way, Community First Credit Union has done an incubation arrangement with the Korean community. I present these wonderful examples hoping to inspire them to do the same, but they look at me and say, 'There is nothing in it for us. Why would we do that?'. So, it is quite an exceptional situation.

Mr KATTER—I do not wish to be cynical or in any way speak in a denigrating manner.

CHAIR—The fact that we are in 1998 and we have not got it is enough indication

that it is a tough, hard row, isn't it.

Mr KATTER—Thank you for your participation, Rowan, but one thing I have learned out of the bitter well of human experience is that the group of people that I came to loathe and detest most were the do-gooders. They were all about disempowerment. I would feel far more comfortable—I have to be honest with you—and say that if there was a vested interest in you people splitting the blanket further down the track to do investment work, I would feel a lot more comfortable. I have to say that, Mr Chairman.

Ms Granich—The possibility is there but it is a no obligation one.

Mrs STONE—It is up to you to resolve as you go along.

Mr KATTER—I would be happier if there was some incentive there to do it.

CHAIR—Time is getting away. I must say your submission, which we will circulate to members quickly, is a very exciting one. Paul, you gave us great hospitality in Shepparton. We thank you very much for that. We have been looking forward to our meeting today. I think you should all be congratulated for what you are doing and whilst we cannot influence ATSIC and would not attempt to, we do wish you well. Thank you very much.

Resolved (on motion by **Mr Katter**)

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

Committee adjourned at 6.48 p.m.