



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER AFFAIRS

Reference: Indigenous businesses

CANBERRA

Wednesday, 1 April 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

JUDGE, Mr Hal Francis, Director, Job Network Provider Support Section, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory 2600	122
MYERS, Mr Ian Allen, Deputy General Manager, Aboriginal and Torres Strait Islander Commercial Development Corporation, PO Box 38, Woden, Australian Capital Territory ..	97
PATTERSON, Mr Russell, Assistant Secretary, Indigenous Employment Initiatives Branch, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory 2600	122
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Present

Mr Lieberman (Chair)

Mr Dondas

Mr Lloyd

Mr Entsch

Mr Quick

Mr Katter

Mr Tony Smith

The committee met at 4.30 p.m.

Mr Lieberman took the chair.

CHAIR—I now open the third 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 Aboriginal 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 to examine whether the programs could be delivered in more efficient and more effective ways. The goal is to make it easier for indigenous peoples to start and maintain successful businesses.

At this hearing, members will continue taking evidence from the commercial development corporation about its programs and its proposal to establish a new statutory agency to assist indigenous businesses. The committee is also taking evidence later this day from the Department of Employment, Education, Training and Youth Affairs about its training programs for aspiring indigenous business people. Anyone who would like further details about the inquiry should always feel free to ask any of the committee staff here at the hearing. With these remarks, I now turn to the proceedings at hand.

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

CHAIR—Welcome, Mr Myers. Although the committee, as you know, does not require witnesses in this inquiry to give evidence under oath, we give a general warning to all witnesses that they should understand that these hearings are legal proceedings of the parliament and that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Before we ask you some questions, we are mindful of the fact that you have already given us a written submission, but do you have any further opening statement that you would like to make?

Mr Myers—Mr Chairman, we do have an opening statement which perhaps revisits some of the questions that were put to us at the last hearing, so it is really a question of whether you want me to go through that statement or whether the questioning is likely to bring out the issues that were raised last time: I am in your hands.

CHAIR—If the statement is going to bring us up to date, we would like you to read it.

Mr Myers—Thank you for the opportunity to come back to the committee to further elaborate on our paper. Unfortunately, neither the chairman nor our general manager is able to attend today, and so I am here to respond to your questions. Before we begin that process, we thought we should revisit two of the issues that were brought up at the last hearings. These were about the CDC's policy position on community versus individual based funding and about the question of the role for banks in business development.

In relation to the first matter, while current CDC programs focus on larger joint venture opportunities, we expect that there should be a stronger emphasis on supporting individuals and on providing the mechanisms to support individuals, and we would like to work towards that outcome. If the committee and the government were to agree with our recommendations and our thoughts on a new structure that would bring together both the smaller lending programs and the larger CDC types of programs, we believe that would provide a structure which would be capable of attending to the needs of individuals and family business opportunities.

With regard to our current style of ventures, we are currently dealing with incorporated organisations that have been established specifically to engage in business activities. While we do negotiate with family groups and community based organisations, we generally find that based on our experience to date it has been specifically incorporated organisations seeking economic development which have been our main customers.

In relation to our role in developing better links with the banks, in the CDC we are currently looking at how we might set up joint venture opportunities with an experienced corporate financier. In going through that process, we will be looking at a number of questions we would want to put to potential joint venturers in that area. We thought it might be opportune to go through the types of issues we would want to put to banks, in case they assist the committee in its deliberations and also assist the committee should it be talking to the finance world.

We would be wanting to talk to banks to determine whether they have a strong commitment to

Aboriginal development and whether they could demonstrate examples of where this has happened: whether they have a commitment to working in a joint venture environment to maximise commercial returns through the management of indigenous funds; whether they have a genuine, strong commitment to indigenous employment and training; whether they have a management plan in place which understands the dynamics of indigenous Australians; whether they have a process and mechanisms in place to provide backup support for indigenous investors; and whether they have an appropriate local network to be able to respond to local needs and have an infrastructure out there to do that.

We believe that there is a very strong role that could be played by the private sector. Whether they are in a position to do that or willing to do that at this stage is yet to be tested. Our view is that there is still very much a strong need for Commonwealth intervention in the process. Certainly that that process should be in place for the considerable time into the future.

Finally, my general manager has asked me to advise you that as recently as two weeks ago he met with representatives of Rio Tinto, which included subsidiaries like Hamersley Iron, Pacific Coal, Argyle Diamond and Comalco. It is important that industry at that level is coming to government bodies like the CDC looking for opportunities, looking for joint venture opportunities. There is a real willingness that we are seeing amongst industry to move forward, but they are certainly looking to government agencies such as the CDC to provide an important link between them and the communities and to provide what I might call the community service obligation support—in other words, the real, on the ground support to the communities who get into those joint venture opportunities.

I thank you for the opportunity to make that opening statement.

CHAIR—Thank you, Mr Myers. I think last time we asked the corporation to provide us with information as to the applications currently being handled by the corporation—the dates of receipt, some brief explanations and road blocks or difficulties in respect of those. I note that we have not yet received that. Could you advise me as to when that will be available?

Mr Myers—I have that here for you today, Mr Chair.

CHAIR—How many pages?

Mr Myers—It is only two pages. It lists the applications which were either received this financial year or carried over from last financial year. Rather than details of the business in terms of commercial-in-confidence considerations, what it provides is a list which shows the geographic location of the proponent, the type of business, the month it was received, the month a decision was made on that proposal and a commentary.

CHAIR—Just before you go on, I will have the document admitted as an exhibit. You are not asking for confidentiality of that document?

Mr Myers—No. We talk in broad terms only; we do not go into the value of it.

CHAIR—Is it the wish of the committee that the document tabled by Mr Myers, containing information about applications this financial year be accepted as an exhibit and received as evidence to the inquiry into indigenous businesses? There being no objection, it is so ordered. I am concerned about the extent of the information that will be in it, not having seen it yet, so I will reserve my comments on it. It covers only from 1 July last year?

Mr Myers—It covers the period of applications received since 1 July last year plus applications which had not been finalised and carried over from the previous financial year.

CHAIR—In other words, that document shows us all current applications?

Mr Myers—All the ones that have been received and dealt with, plus all outstanding ones. I should add, though, when I say all current ones, that we do get inquiries daily so there may have been one or two in the last day or so which are not in there.

CHAIR—I understand that. Thank you, Mr Myers. I want to move into another area, then I am going to hand over to my colleagues for them to ask other questions. So far, the committee has heard your proposal for a new organisation to be formed. It has heard ATSIC, and ATSIC is going to respond to the proposal that you have put forward in the form of a discussion paper that the minister has put forward.

We have also had evidence, which is on the public record, that there is a desire to establish a credit union for indigenous people and also to attract investment into that credit union from non-indigenous people. Do you believe that the interests of indigenous people would be best served if there were a number of alternative vehicles and programs available for them to make their own decision as to where they might go to seek financial assistance for indigenous enterprises and to also deposit their funds for investment? Or do you think that the proposal put forward by your corporation should be the only one that the government recognises and supports?

Mr Myers—I would perhaps respond by saying that our proposals in respect of a bank never envisaged that it would be a bank providing a savings service or a local service at the community level. We were more looking at a merchant bank type of role. Certainly, it would be my personal view that there is very much a place for credit unions in geographic locations to provide local services, be they savings, small loans, housing loans or small business loans—the types of activities that are already occurring in a number of places in Australia. So the CDC paper is certainly not saying that its view is the only view. No, we believe that there should be a range of facilities available.

Mr QUICK—Do you perceive you can operate within that First Nation Credit Union?

Mr Myers—As a part of a First Nation Credit Union?

Mr QUICK—Yes; like the Commonwealth Bank with all its subsections.

Mr Myers—It depends on how the credit union was established. The role of credit unions, as they currently exist in Australia, is that they are an organisation owned by their members. I am not sure how you

would look at the provision of Commonwealth funding into that type of structure. I am not sure how you would have accountability back to parliament if all activity were directed through a credit union type structure.

If you have a clear statutory body, it is still ultimately accountable back to this House for its actions and for what it does. My personal view, and it is a personal view, is that the credit unions are a very worthwhile and very useful structure at the local level. Whether a credit union on a national basis would meet everyone's objectives and have that accountability back to parliament I think is questionable.

Mr QUICK—What if one of our recommendations was that the CDC be disincorporated from its statutory role and the money allocated to the First Nation Bank, once it had some credibility out there in the real world? That would be one arm of its function. There is the whole issue of community service obligation. How many organisations like the CDC have heavy weighting for community service obligations? Lots of them espouse it, like Telstra, but it is basically down for profit. You people punt heavily on your community service obligation. I have got lots of questions to ask about that later. Perhaps, if we do cut the umbilical cord from the parliament and, once they are successfully up and running, put the ATSIC money in and put the CDC money in and say, 'Go for your life.'

Mr Myers—As I said, my personal view is that the only question would be whether a structure like that would get an annual appropriation from parliament. If it could, then the structure may not be appropriate. If you are looking at a structure—

CHAIR—Why not?

Mr Myers—If you were allocating funds to a body, normally that body must, through its minister, whoever the minister is, come to parliament, seeking an appropriation of funds; it must provide an annual report to parliament and be ultimately accountable to parliament through such things as various committee hearings, et cetera. If it is a genuine stand-alone body, quite separate from parliament, you do take it that one step beyond which, if it had sufficient capital base and did not need further injections of government funds, then that might be a good way to go. Until it had a sufficient capital base to be free standing, and while it did depend on government intervention in terms of annual appropriations, I would have thought the parliament would have wanted that structure to be accountable on an annual basis back to parliament.

CHAIR—Can I put to you the possibility for the corporation to respond to, that it may be possible—I am not saying that it is desirable—for government to make funds available on a very strict audit accountability basis to various agencies throughout the Commonwealth such as banks, credit unions and your own organisation, and for it to administer those funds and make them available to individuals and communities in exactly the same way that you aspire to do by making funds available on judgments that you make to individuals and communities? Those individuals and communities are the recipients of what you do, aren't they?

Mr Myers—Yes.

CHAIR—Is there a problem with other agencies, such as banks and other people with expertise, being

the funnel or the filter through which the funds are made available?

Mr Myers—If we talk about banks being the mechanism for delivering the funds, it comes back to whether banks are an appropriate structure for dealing with indigenous people. As I believe my chairman intimated at the last hearing, the history might show that the banks have not necessarily fulfilled their role in that regard. One would need to question whether a delivery mechanism of that nature will in fact provide the outcomes that everyone is looking for.

CHAIR—Can I just put to you to take back to the corporation for it to deliberate on and respond officially on this issue—it is a very important issue—that if the individual indigenous proposer of an entrepreneurial activity or the community made their own decision as to whether they wanted to go to one place or another to make their application and put their business plan forward, wouldn't it be better to leave it to the individual to make the decision, rather than to make a judgment on their behalf?

In other words, if the banks did not provide quality service and outcomes, the individuals across Australia would say, 'Well, I am not going there,' in the same way that every other individual makes judgments and decisions. Wouldn't there be an advantage in providing to indigenous people the opportunity to make their own mind up as to who they might go to and judge the quality of service themselves, rather than having someone in Canberra make that judgment? Would you like to comment on that?

Mr Myers—At the moment, communities and individuals do have choice. They can, if there is a local credit union, deal with that. They can deal with their local bank or, if they choose, they can come to organisations such as the CDC or ATSIC; so there is a choice in it at the moment. I presume—

CHAIR—I am talking about greater choice.

Mr Myers—What you are saying is to place some of the funds within those other structures which are earmarked for indigenous people.

CHAIR—Yes.

Mr Myers—Again that would depend, as you say, on the performance of the banks. It is something that I will certainly take back to the corporation and come back with a view for you.

CHAIR—I would particularly seek a comment as to whether the corporation supports the development of the concept in Australia that indigenous people should be encouraged to make their own judgments as to the quality and the nature of the service being offered, rather than having those judgments made by people on their behalf.

Mr Myers—I have that.

Mr QUICK—In relation to the social obligation, how does that operate? I am looking at the two-page document you have given us. There were 23 applications or proposals put forward to the CDC, and 48 per cent were knocked on the head. How do you, as part of the process, take into this the whole concept of

community service obligation? To my mind, you are basically saying, 'Purchase a hotel in Tasmania? Declined. Purchase a hotel in Queensland? Not appropriate as a CDC investment.'

Mr Myers—On the issue of community service obligation, because our act requires us to act in a commercial manner, our role in community service obligation is the support role we provide to organisations which we joint venture with. We have not seen—again because of our legislation—that our community service obligation extends to funding non-viable businesses.

The act is quite specific that we have to act in a commercial manner. The act is quite specific that we have to develop a capital base. It is almost a third element that a part of that process is to encourage indigenous participation in business. We do that through joint venturing. The tests that we apply to business applications are whether they are commercially viable, whether they are genuinely sustainable—

Mr QUICK—That is the first criterion?

Mr Myers—That is the first criterion. We look for what prospects they offer for indigenous participation, because bear in mind that many of the applications we receive do not come from indigenous people. They might come from a mining company that identifies an opportunity and is looking to us to identify an appropriate community which might become involved. We will, as you might expect, often be presented with a proposal by a businessman where the business is going broke and he thinks he can unload it to us; it is not coming through a genuine community proposal or approach. So we look for genuine indigenous involvement, both physically and in terms of the management of the business.

We look at the financials of the business in terms of viability and we look at the security arrangements for our funding that would go in. In many of the proposals we get, as I said, there is only fleeting reference to indigenous involvement. Many people, not all, see us as a possible source of easy funds, and we make sure we do not fall into that trap.

Mr DONDAS—What are the assets of the CDC?

Mr Myers—The assets, as they would stand, involve two things. First of all, there are the fixed assets which were transferred across to the CDC when it was first established. They include things such as Bonner House at Woden. The other assets include our holdings in joint venture enterprises.

Mr DONDAS—So what are the assets?

Mr Myers—In terms of total value?

Mr DONDAS—One hundred million, \$50 million, \$10 million?

Mr Myers—No, we only got \$40 million and \$17-odd million of assets that transferred across, so we only ever got about \$57 million. I think the asset base is now about \$65 million, or something in that order.

Mr DONDAS—With the companies that you have joint ventured with, do you perceive you have a

contingent liability in terms of the capital share that you have invested in them?

Mr Myers—Yes; we work on accrual accounting so all liabilities are factored in.

Mr DONDAS—What would the contingent liability be, roughly?

Mr Myers—I would have to check the annual report or our financial statements. I do not know it off the top of my head.

Mr DONDAS—I can read an annual report.

Mr Myers—I will have to get the specific figure for you—I do not know it off the top of my head. You want the total contingent liability?

Mr DONDAS—Yes. I would be interested and I think the committee should be aware of it, if we have got assets—

Mr KATTER—Yes, most certainly.

Mr DONDAS—If your asset register is \$55 million or \$60 million, it would be probably an interesting component to see what your contingent liabilities were, and maybe the joint venture companies that you are with. You might just give us an idea of what they are.

Mr Myers—Yes.

Mr DONDAS—I know with your Kittle Toyota one there is about \$3½ million or \$4 million invested in central Australia, and your central Australian investments are doing very well, thank you very much.

Mr Myers—Yes.

Mr DONDAS—So there might be some other ones that are doing well. I would be very interested in what the contingent liability—

Mr Myers—Are you after it by business or a total figure?

Mr DONDAS—A global figure would be fine. I do not want to put you to too much work. The other question that I ask to stimulate some discussion is about this new organisation that is being floated in trying to build a merchant banking organisation for indigenous business. Have you had discussions with ATSIC regarding this proposal to amalgamate the Aboriginal Land Trust, the Indigenous Land Fund?

Mr Myers—There was a joint agency meeting a few weeks back between ATSIC, the Indigenous Land Corporation and the CDC. I was not at that meeting, but it is my understanding that certainly the concept was floated, and I further understand that the three agencies agreed to establish a working party to examine the proposals in depth and to come back to a future joint agency meeting.

Mr DONDAS—What is your personal view of such an organisation coming to fruition and obviously having the capacity to provide the financial assistance at a very professional level?

Mr Myers—I support the concept for two primary reasons: first of all I do not believe social programs and economic programs comfortably sit together. It causes confusion for officers and communities as to what really is the agenda. The second issue is that, if indigenous people in the longer term are to remove themselves from the dependency on various government programs, we collectively—parliament, government bureaucrats and the existing organisations—need to be a lot smarter in the way we use existing resources. What I have in mind there are things like the indigenous land fund, et cetera. There are considerable amounts of money around in various trust accounts.

Mr DONDAS—Bring them all together?

Mr Myers—It seems to me only sensible to bring them together with a view to more effective outcomes which in the longer term should diminish dependence on other forms of government programs.

Mr DONDAS—Did this working party have a report back date? You know, within a month or two months of 1 July?

Mr Myers—I am sorry I do not know. I believe that they might be looking for the working party to meet before the end of this month and I am not sure when the report back is due.

Mr DONDAS—As a matter of record, I support it too. I think it is a good idea. I will pass on to my learned colleague here.

Mr QUICK—On page 15 you mention the difference between a community service obligation and a commercial program with a social goal. Can you explain that a little more fully? If we recommended that the community service obligation be removed from the CDC, would that make you a far more effective operation? Is that a hindrance?

Mr Myers—We would not advocate the removal of the community service obligation. The difficulty is that when you have an organisation which has not had any injection of funds for some time it must survive on its profits. That means it must not only meet development costs of existing businesses, meet its own running costs and meet costs of establishing new businesses but it is also meeting currently community service obligations costs out of that as well. If all our dreams were to come true, what we would like to see is that the community service obligation be appropriately recognised but that perhaps it be part of a regular allocation of funds from parliament so that we can quite clearly separate the task of getting on with business from the needed task of meeting community service obligations.

Mr QUICK—Of the 12 out of the 23 that you have listed that were knocked on the head, were any of those in that grey area? Would they be in if we put the community service obligation on that side of the scales? Is it basically either going to operate commercially or not and that is it, end of story? There are not too many opportunities out of the 23 where you really say—there is one there where the community service obligation would be ideal. That is the one for the barge. That would be a wonderful community service

obligation through linking two sides of a river and the community would obviously benefit. But what is purchasing a hotel going to do? In some cases, perhaps, it would fragment the society rather than benefit it. That is only my point of view. You say on page 15 that the CDC has particular difficulties in adequately meeting its CSO due to its small size—which you have already mentioned—and the fact that it is expected to fund this rollout out of investment returns. What proportion of your returns do you pour into the CSO in general terms?

Mr Myers—We do not have a figure on it. We are currently trying to identify it. To give you an example of how it can impact, one of our joint venture operations at the moment is a fairly small operation. It is commercially viable: that is, it produces a return for the amount of money invested in it. However, if we factored in to it the cost of providing support to the community joint venture partner—which is a direct cost to our running costs—the costs of the initial lead-up support to involve the community in it to incorporate a business and all of those things, it probably would not have been a sensible commercial decision up front, because those extra costs involved will not be met from the returns we will get from the business just because of the physical size of the business. We are trying to identify that figure now, but it almost becomes a question of saying that we need a return of a certain size as a minimum, just to break even after offsetting the community service obligation and establishment costs of the business.

Mr QUICK—So you have not actually worked it out in percentage terms?

Mr Myers—We are trying to sort it out in percentage terms now.

Mr QUICK—If you are in a joint venture, is the community service obligation all on your side of the joint venture? For example, if you have a joint venture with Pasminco/Century about setting up the barge contract, are they expected to put their community service obligation in as part of the joint venture?

Mr Myers—In a case like that, the joint venture arrangement would be with a professional barge operating company. The most we could normally expect of our joint venture partners in that case would be to offer employment opportunities for indigenous people and that would include the necessary training to go with it. The obligation of providing the support to the organisation itself, as distinct from a number of employees in the joint venture business, tends to fall to the CDC under its community service obligations.

Mr QUICK—You mentioned incorporated bodies in your introduction. Is that written into your charter under the ATSIC Act?

Mr Myers—No, it is not written into our charter, but all of our business joint ventures are established as companies under the Australian Securities Commission codes and, invariably, under those sorts of structures it is far better to be dealing with each of the business partners being an incorporated body.

Mr QUICK—How many individuals do you deal with?

Mr Myers—As I said earlier, we have not dealt with any individual people to date. We are approached, but we have not successfully been able to come to any joint venture arrangements with any individuals at the moment.

Mr QUICK—Nowhere in Australia?

Mr Myers—No, but then we are not approached that often by individuals. Bearing in mind we have to have a joint venture arrangement with a guaranteed return, most of the time it is fairly large proposals that are put to us. As you can see in the list there, a lot of them are mining operations or large trucking contracts such as the one we are working on at the moment for the Ernest Henry Mine. They are very large contracts and they are not the sorts of things that to date we have had individuals coming forward on.

Mr KATTER—You are in that, though?

Mr Myers—If an individual comes forward with a joint venture proposal which meets our test, there is no reason why we would not look at it.

Mr KATTER—No, but you are in the Koutha operation at Cloncurry, are you not?

Mr Myers—It is commercial-in-confidence, but we are, yes.

Mr DONDAS—Do you have any involvement at all with CDC?

Mr Myers—To date, the involvement has been limited. We certainly have met with land councils. What we are trying to develop is a closer linkage, particularly with native title rep bodies. We do not want to get involved in the native title issue as such, but once those matters are resolved one way or the other, if there are economic opportunities which can arise, then we are really willing and want to get in there and help wherever we can.

Mr LLOYD—With this proposed commercial corporation and the community service obligations, do you see this new entity as having an increased or decreased community service obligation? I have concerns with the financial performance of some of ATSIC's business development programs. You are running with the CDC within very strict commercial parameters, and that is good. If this corporation came into being, will you try to lift the standard of the other groups that may become involved towards commercial independence at the detriment of community service obligations or what would be the balance?

Mr Myers—I suppose I have a different definition of community service obligation. I see community service obligation as providing help and assistance in getting into commercially viable businesses and help and assistance in staying in commercially viable businesses. My personal view is, that no matter what the structure, we should only be funding commercial viable businesses. It is the level of support that you provide to your partners or the body you are funding that I see as the community service obligation. I think that has to remain. Experience has certainly shown to us that the level of support that you provide can make a demonstrable difference in the health of the business over time.

Mr LLOYD—With the businesses that you do fund in joint ventures, what level of monitoring do you have on them? You mentioned in your submission here that one of them has failed.

Mr Myers—Yes.

Mr LLOYD—What level of monitoring do you have?

Mr Myers—We have within the organisation a monitoring unit. There are four positions in that unit. We are currently finalising the recruitment of the head of that unit. The previous person has left. We have a dedicated unit that looks to the monitoring of the individual businesses. We are invariably directors on the boards of those businesses as well, so we have some first-hand knowledge of how those businesses are performing on a month-to-month basis.

The other thing we are now looking at doing as well is an annual review of every one of our businesses to make sure that they are performing adequately and against a proper forecast. The other thing we are doing, obviously, is to determine a risk element attached to each of the 19 businesses so that we make sure that we focus sufficient resources on what I would call the high risk businesses.

The other thing we do, which unfortunately comes at a considerable cost, is to use external consultants to assist us in reviewing and analysing these businesses. These will be industry experts to make sure that the performance of our business matches industry standards for that business sector and, if not, to try and identify areas where we might be able to make adjustments.

There are at times, however, community service obligations that come into that as well. For example, you could look at a business which on the face of it might be run a bit leaner and produce a greater percentage return. But on the other hand, in order to facilitate longer term employment, you might put a greater effort into the training of people in that business than would normally be a commercial practice and that comes at a cost. But we would still want the business to make a commercial return for us.

Mr DONDAS—Who prepares the profit and loss statements on behalf of your joint venturers?

Mr Myers—The businesses themselves have to prepare profit and loss statements, but then our monitoring unit goes through those in detail. I will not go into the specifics of the example I will give you, but when we talk about us reviewing those statements, where we have business partners with possible third party transactions, we also insist on going back and looking through those third party transactions. In a couple of cases that has cost us joint venture business opportunities, because joint venture partners sometimes do not want third party transactions being scrutinised.

Mr DONDAS—Who prepares the documentation that goes to the taxation department for evaluation as to whether taxes have to be paid?

Mr Myers—In that case it will be the business itself. They are separately incorporated from the CDC. They are a separate business answerable to the Australian Securities Commission and taxation as is any other business. We report separately—as you will note by our annual report—also on those business and the financial figures in that annual report are verified by the Australian National Audit Office.

CHAIR—Ian, would you be able to provide the committee very soon with a list of companies and the nature of their businesses where a director or directors are provided by your corporation?

Mr Myers—Essentially, we have directors on every one of the 19 businesses.

CHAIR—I would like confirmation of that.

Mr Myers—Yes.

Mr KATTER—Ian, there are only two bodies in Australia that a person of Aboriginal descent can get money from. That is yourself and ATSIC, is it?

Mr Myers—No. People can go to banks, credit unions or whatever else.

Mr KATTER—I am talking about the non-private sector.

CHAIR—Government funded you mean?

Mr KATTER—There are only those two?

Mr Myers—I understand that the Western Australian government also has a small business program attached to the indigenous area of their state Department of Commerce and Trade with funding attached. There are other smaller programs around the place.

Mr KATTER—People of Aboriginal descent already own 23 per cent of the surface area of Australia. They own some of the best land in Queensland. Almost all of it is above 40-inch rainfall land. Noticeably lacking from ATSIC's submission and yours is any mention of mortgage value. If you are a lending institution, the first thing you are after is mortgage value. Under the present land arrangements, you cannot get mortgaged. They have absolutely no hope of getting anything from the private sector. I find it difficult to see how you can justify making money available to Aboriginal people, as half of the people of Aboriginal descent in Australia are living in community Aboriginal lands—and, of course, without any mortgage value, they cannot go forward at all.

The lady appointed by Paul Everingham in the Northern Territory raised this at the Northern Development Council on behalf of the Northern Territory government at the time. At the top of our priority in Queensland when I was minister was the provision of mortgageability, because clearly an economy cannot grow without mortgageability. No bank is going to loan you money unless it has some security for its loan. Noticeably lacking from both of your submissions is any reference to mortgageability for half of the people who are in areas that cannot get mortgageability at present.

Mr Myers—I suppose my comments on that would be that, if we look at the businesses we are currently involved in, it has not been an issue. We are currently, for example, looking at a farm where the land is Aboriginal owned. That land was originally purchased by the old Aboriginal Land Fund Commission going back quite some time. Therefore, it is covered under the provisions of section 21 of the ATSIC Act, which means the ATSIC Commission would need to agree to any disposal action in respect of that.

If the ATSIC board was agreeable, there would be nothing to prevent the business taking a 30-year or

40-year lease over the land, which is more than sufficient security. Alternatively, you can take floating charges over the crop. So there are ways around it.

Where you are talking about inalienable title, as far as I am aware, no proposals have come forward. There have been proposals adjacent to inalienable land—mining ventures, et cetera. They have certainly been able to be dealt with. I do take your point. If a business opportunity arose on inalienable land, one that there were no provisions on, it may present problems in terms of how you would take adequate security for providing funding.

Mr KATTER—I am saying it by way of criticism and I would like you to take it on board as criticism. The private superannuation group that came to us last week was just about the first cab off the rank. They said it would be hard for us to loan whilst we do not have mortgageability. They said that to me clearly.

Mr Chairman, I must point out to Ian Myers one of the great disappointments I have with this. It is that, where some six or seven per cent of the lands in Queensland did go out to private ownership whilst I was minister, they had enormous difficulty in getting any loans from anywhere but they managed to get them from the private sector. Eddie Holroyd got about \$60,000. He had mortgageability; he holds a pastoral lease on the Pormpuraaw deed of grant area, which is very similar to an ordinary pastoral lease. The only thing about it was that it could not be sold to an outside resident. The banks looked at that quite favourably at Yarrabah, where there are some 17 privately owned businesses operating, all set up under this regime. The banks said, 'Oh, well, if we have to sell somebody up, there are other businesses in Yarrabah that would be interested in buying it out.' If it had been in Cairns they would have given them 100 grand, but because it was in Yarrabah they only gave them 20 grand—but they gave them 20 grand, and it was a lot of money that enabled them to kick off.

Mr Myers, Lockhart River has a 60- or 70-inch rainfall and most of it is as flat as a billiard table; it is grass up to your waist all year around. The 50,000 acres there simply need to be divided up into 2,500-acre allotments, with a plough put through it and decent improved pastures put in and 1,200 head of cattle purchased for some 20, 30 or 40 families, and each of those families will be earning \$120,000 a year from the cattle. That is the thing that should be happening.

When I went—this predates you, Ian, so this most certainly is not criticism—

CHAIR—What is the question?

Mr KATTER—I would like to add to that before I let Ian come back to me on it. When I went down to meet with your people, I said, 'What are your projects?' I really could not see a single project there that would empower black people. Each of those projects had to have a white person in charge of it—without my going into the reasons why—and each of those projects did have a white person in charge of it, with one exception, and I do not think he was going to last very long.

They purchased a supermarket and it was incredible to me that when they had a picture in the annual report of the staff of the supermarket, about 40 or 50 people—I think it was at Alice Springs but I do not know; it may have been somewhere else—there were only two black faces amongst the staff. So why was

your body borrowing money? It is a nice little bank for someone to play around with. I left thinking, 'Well, it is a nice little bank for these blokes to play around with, but it sure ain't doing anything to empower black people.'

Mr Myers—Is that the Yeperenye Shopping Centre?

Mr KATTER—It was a supermarket. I may have it mixed up with some other funding body, but those are the two propositions I want to put to you—Lockhart River and a supermarket which was typical to me of all of the investments which really did not empower black people at all. In fact, I think it was a neon light disempowering of them. Can you answer those two things for me? Why are we not doing something at Lockhart River?

Mr Myers—I will certainly try. With Lockhart River, I am not aware of any proposal having come before us. Something may have, but I am simply not aware of it. There is no reason why a proposal like that could not be looked at, but perhaps it might be more appropriate for the indigenous land group, the ILC, in that they have responsibility for economic development of indigenous land and land management and so perhaps they are a more appropriate structure for looking at that part of it.

In respect of the supermarket comment, I am not aware that the CDC has put any money into a supermarket in central Australia. We do own shopping centres, one in Tasmania and one in South Hedland in Western Australia. Both of those do fall into the same difficulty as you said, in that they do not have significant indigenous employment. But in both cases they were seen as providing a significant capital asset which would then provide an income stream. In the case, for example, of the one in Tasmania, the communities that are our joint venture partners there are progressively buying us out and I think that by another two or three years time they will own it outright. That then will produce a—

Mr KATTER—What was that, Ian?

Mr Myers—One in Tasmania. They progressively—

Mr KATTER—Was that a supermarket?

Mr Myers—It is a shopping complex at Burnie.

Mr KATTER—This was a supermarket, but anyway—

Mr Myers—I am not aware that we have actually funded a supermarket.

Mr KATTER—It might have been an ATSIC body, I do not know.

Mr QUICK—But, as Bob said, when we are on about community service obligations, surely some of that capital that you have could be put into a little packet called 'community service obligation venture capital' and you could go out positively and say to the people there, 'Look, we will organise this. CDC will be the joint venturer with the people,' rather than its being the people and somebody else. That could be a

positive thing and then you could have a pilot project to say, 'Look, this is the way to go.' You could positively discriminate. Could you do that within your charter?

Mr KATTER—Harry is more perceptive on this question than even he thinks he is, in my opinion.

Mr Myers—Yes, we could, provided we acted in a commercial manner. I would make two points which I think go to addressing your question. First of all, as our chairman said at the last hearing, this current board under his leadership is putting a much stronger emphasis on employment outcomes out of our joint venture enterprises than perhaps occurred in the past. The second thing—

CHAIR—They would need to.

Mr Myers—Yes. Secondly, we have a broad agreement with DEETYA to instigate a development program for our businesses in terms of getting more indigenous people into those businesses and providing the necessary training for them.

Mr QUICK—You mentioned 19 businesses. Looking at these two pages, I find that not one venture was approved. Is 1997-98 an atypical year? Has it been a bad year, or a typical year? What was the record in 1996-97? Were those 19 businesses established three or four years ago, nothing much having happened in the interim? I would like to think this is a bad year, because since March 1997 not one has got a tick.

Mr Myers—When you look at the tables like that, I can see the conclusion you came to. The reality is that there are a number of businesses which commenced the previous year—for example, the Ernest Henry Mine, which we mentioned earlier—where there have been, shall we say, difficulties in the contractual negotiations. They are only just coming to a conclusion now.

Mr QUICK—I understand all that. But since March 1997—today is 1 April 1998—not one has got the tick.

Mr Myers—We have a number that have now just received board endorsement to proceed to—

CHAIR—But they are not on this list. Nor should they be.

Mr Myers—No, because these go to feasibility studies.

CHAIR—Harry, just let me clarify this before you continue, because I might have misunderstood. This is the list of applications not yet approved?

Mr Myers—Yes, it is a list of ones that either have been rejected or have still to have a decision made on them. Again I will not go into the specific details, but there are others like caravan parks, et cetera, which our board have agreed to in principle, and we are still proceeding with the detailed investigation.

CHAIR—But are they not on this list?

Mr QUICK—No, they are not.

Mr Myers—No, because they are ones that have been ‘approved’.

CHAIR—We have been travelling around Australia and been told by people that, allegedly, they got approval—not necessarily from your organisation—two or three years ago and they still cannot get the funds.

Mr Myers—As far as I understand it, with the CDC, where there has been approval there is only one project where there has been any delay and that was because of contractual difficulties with the joint venture partner. All the others, once approved, have been proceeded with quickly.

CHAIR—For next time we meet could we please have—by mail; we would like to receive it urgently—a list of those applications which have been approved but not yet settled, with a brief statement as to why they have not been, and the date of the application and the date that the approval was given as well? That will then give us a proper picture of what I think we need.

Mr QUICK—Under the heading ‘Status report’, is the statement ‘Not appropriate as a CDC investment’ code for ‘financially unviable’?

Mr Myers—It is not a code, it is a broad statement. It could be commercially unviable. A lot of them are the ones I alluded to before, where basically we have snake oil salesmen coming to us and thinking that we will buy something and then off-load it to Aboriginal communities. You would not touch them.

Mr KATTER—We get about four of them a day, too, Ian.

CHAIR—Only four?

Mr QUICK—We are only talking about 23 here. Of the ones who have declined, most them are saying, ‘Not appropriate as an investment.’ I would like to know: do I assume that they are all financially unviable, or are you not into the role of purchasing hotels?

Mr DONDAS—Maybe it is not a good idea if they go and buy pubs.

Mr QUICK—No, I know that; I said that before. If we are going to be fair dinkum, this is not bandied around out in public, is it?

Mr Myers—No.

Mr QUICK—So why can we not say, ‘Financially unviable—full stop’?

Mr DONDAS—They might have a policy to say, ‘We don’t support alcoholic outlets’, or something.

Mr QUICK—You must say to the people, ‘I’m sorry, we can’t fund this; it is economically unsound; end of story.’

Mr Myers—Where they are rejected, we write to them and formally advise them. As you can see, the turnaround time on them normally is fairly quick between receipt of the proposal and our coming to a view on it and then formally advising the applicant, ‘This is not one for us.’

Mr LLOYD—Do you give them a reason?

Mr Myers—Yes; we spell out that it is either commercially unviable or it could be something where we are not convinced that there is sufficient community interest in it, and it is no use our joint venturing with a party where there is no community involvement in the short or longer term. As I said, you get the snake oil salesmen. Their projections show they are commercially viable, but you would not touch them.

Mr QUICK—As a member of the committee who is really interested in the issue and wants to know as much as possible—being a former schoolteacher, I like to soak up as much information as possible—if it is not appropriate as a CDC investment, I would like perhaps another one-liner. As you are probably aware, I am into statistics and comparisons and the like, and I would like to know, rather than just a bland statement.

CHAIR—The committee endorses Mr Quick’s request and looks forward to the early provision of that information.

Mr KATTER—The other bit of information I am after is what CDC is in already. There are 19 businesses apparently, so who is it that you have lent money to before?

Mr Myers—I can give you that now.

Mr KATTER—No, I would like it in writing, if I could.

Mr Myers—That is no problem.

CHAIR—Thank you, that is requested and confirmed.

Mr KATTER—Ian, at Doomadgee, with the Century agreement, some 3½ million acres shift over to ownership via some Aboriginal instrumentality. The chairman of the council there, Clarence Waldron, and I believe very strongly that some of that area should be cut off and added to. Six designated areas at Doomadgee, which are station properties—more in theory than in reality at the present moment—have homesteads on them now but they are far too small to be viable. If they get an additional area from this purchase, they will be viable but they will also need some funding for four-wheel drives and some considerable funding for cattle as well. I would just like to put that before you and ask if that is the sort of project that you people are involved in. Is there some reason that that would not fly with your organisation?

Mr Myers—Again, it is probably one more appropriate for the Indigenous Land Corporation rather than the CDC. You seemed to be talking about the development of an existing land base and redivision of that. Normally, that would fall to that body to look at.

Mr KATTER—There are certain philosophical problems with the ILC. They believe that they should

own everything and stay owning everything. That makes it enormously difficult for people to move into private ownership, which is the most successful mode of operation with agriculture and particularly with pastoral agricultural pursuits. Not only does it not empower, it does just the opposite; it disempowers the people on the ground. So there are very strong feelings. You can say it is ILC, but there would be very strong feelings—and I most certainly would have those feelings—that we are getting nowhere with ILC and we want some money from somewhere, and ATSIC will give us some.

CHAIR—Can I come in on that? It is a very important issue. Would the corporation assist the committee with a letter telling us what the impediments are for the corporation, policy wise, legislative wise or otherwise, from considering proposals such as Mr Katter is referring to where the ILC is involved and asking the corporation to indicate what it believes could be done to overcome those impediments? Is that alright, Bob?

Mr KATTER—Yes, that is very good.

Mr Myers—Could I ask one clarification of those? Are they the properties that were originally bought by the mining company?

Mr KATTER—Yes.

Mr Myers—Haven't they held a one per cent share in those to prevent any sort of disposal, which means that unless the mining company—

Mr KATTER—It depends on what day of the week you are talking to them.

Mr Myers—Okay.

CHAIR—My question, by the way, is both specific to Mr Katter's example but also general, across Australia.

Mr Myers—Yes.

CHAIR—Can I have a quick question? Mr Smith may have one too. The committee is examining with great interest your proposal to take over the indigenous programs from ATSIC and bring them all into one merchant bank type of house. We have had allegations, however, that ATSIC is finding it difficult to process applications quickly, and we have complaints about alleged delays. We have not made up our mind yet about who is telling us the truth on that. But, if you do merge the ATSIC programs with your new organisation, how would the new organisation manage all of those applications and the processing of them in a more efficient manner than it is presently done?

Mr Myers—It is a very good question. I personally do not believe that the difficulties that ATSIC have are necessarily of ATSIC's making. A lot of the time, an individual, a family or a community will make a request, believing it constitutes an application, but they provide only half the information that is necessary. Obviously, the ATSIC processes and their business agents really cannot swing into gear until they have all the information that is necessary.

I think the key element to it probably revolves around providing information to applicants so they are fully aware of what is required of them before the process can commence. I think the process also relies on having specialist staff available who are dedicated to the task of dealing with those business applications rather than being generalists within an office environment.

I believe that there are economies of scale in centralising certain functions. When I say 'centralising', that does not necessarily mean in Canberra. For example, loan arrears could be centralised in one area. Many banks separate the loan management function from the approval function. I am aware ATSIIC certainly has centralised loan arrears for a number of states, and I think that is a good way forward. Really, it is a combination of giving better information to applicants so they know up front what is required of them before the process can start, having dedicated staff available to deal with nothing else other than business applications and those staff having the necessary skills, and applying a scale of economy by centralising functions in central points where you can achieve better outcomes.

CHAIR—And outsourcing?

Mr Myers—Outsourcing is certainly something to be looked at. For example, take the management of loan repayments: there is no reason why that could not be done in an outsourced environment. We are aware of a number of indigenous credit unions which have already been established around Australia. There is no reason you could not ask them to undertake small business lending programs on the central agency's behalf in those areas.

CHAIR—And banks?

Mr Myers—Banks, where they perform, I would certainly see that there is every opportunity—

CHAIR—But it would also be so with credit unions. You are not differentiating? If they did not perform—

Mr Myers—No.

CHAIR—So outsourcing to anyone who performs with quality service?

Mr Myers—Yes, it would have to be on the agenda. If you can get scales of economy and provide a better service, you have to consider outsourcing as part of that package.

Mr KATTER—Mr Chairman, could I just make an observation? It is enormously difficult for ATSIIC, because you have to get re-elected and, in order to get re-elected, you have to give money to a proposal that comes forward not on the basis of whether it is a good proposal or not—whether it is commercially viable and will work—but whether you need this bloke's support to get re-elected as regional head of ATSIIC and move on to \$100,000 a year. A move in this direction would be very sensible indeed.

CHAIR—I am sorry, Mr Katter; I was distracted.

Mr KATTER—I just made an observation about a move in this direction at the present moment. The motivating force with a lot of the ATSIC decisions is getting re-elected, and you have to go out there and buy votes. We had this situation, which I previously have brought to the attention of the committee, where a key player, the local ATSIC chief, rang me and said, 'We are buying this strip of station. It can't run cattle; it can't run anything. It is going to cost \$1 million, and one job will be created by it.' The reason for that was that the person who wanted to buy that station, or get ATSIC to buy that station, commanded about 10 or 15 key votes which were responsible for putting the local ATSIC chairman into that position. He had to repay the IOU. So long as it is left with ATSIC, you have that mechanism operating; whereas if it switches across to CDC, a different mechanism operates—one on a far better commercial basis. I must say that Joseph Elu has been magnificently successful in everything he undertook there.

CHAIR—Our terms of reference ask us to inquire and report on impediments. Obviously, Mr Katter's observations are very pertinent to that. What is coming out of it is that the organisation that administers and processes government funding has to be one that does not impede the natural flow of development applications and approvals, and the like. Is that what you are saying, Mr Katter?

Mr KATTER—Yes.

CHAIR—That will have to be a very important part of our report. I take it that CDC is suggesting that this new plan of theirs would actually remove those impediments. Perhaps in fairness I should ask: does the corporation say that the presence of ATSIC in this process sometimes produces impediments, or do you not know about that?

Mr Myers—I am not really in a position to comment on that. I would remind the committee that at our last hearing our chairman made the observation that the directors of this new structure should all be appointed by the minister.

CHAIR—Yes, I think we have got the message.

Mr TONY SMITH—What are the current operating costs of the CDC?

Mr Myers—They are folded in overall because we do not get an appropriation. Including sitting fees and meeting costs of the board—the Remuneration Tribunal allowances which go to them—we are looking at around \$1.5 million. That is all-up costs, including accommodation and everything. It is something in that order.

Mr KATTER—How much are you lending each year?

Mr Myers—We minimise the amount of loans.

Mr KATTER—How much money is being sent out each year?

Mr Myers—You cannot look at it on a year-to-year basis, because we do not get a year-to-year appropriation. It all depends on how much money we have free in any one year from dividends, from existing

businesses. We currently have in the order of \$17 million available for new businesses at the moment.

Mr KATTER—This bloke should be in politics, Mr Chairman. I still have not got a picture. You must have some figure, with all due respect.

Mr Myers—As I said, we are in a position at the moment to probably put another \$17-odd million into businesses.

Mr KATTER—This year?

Mr Myers—This year.

CHAIR—Are the costs of administering on an annual basis in the annual report?

Mr Myers—The running costs are.

CHAIR—How many cents in the dollar? Would you like to take a rough guess?

Mr Myers—It would be fairly good, I would say. We are looking at probably \$60 million and in the order of \$1½ million running costs, including the appointed directors. So it is not a bad figure.

CHAIR—That is below any bank.

Mr Myers—But at this stage we are dealing mainly with large joint venture proposals—

CHAIR—Yes, understood.

Mr Myers—not lots of small loans.

Mr TONY SMITH—You talk about the main four points about getting people to break free of welfare dependence and so forth. Do you have a recognised set of outcomes? Can one just look at a piece of paper and clearly say, 'I see: the outcome for this year consistently is X amount of dollars'?

Mr Myers—No, we do not. What we tend to do when we go into each business venture is to look at the outcomes for the community on a year-to-year basis; in other words, what their dividend is, and what their participation is like in terms of employment and in terms of managing that business, and then we look at how quickly they can take over totally our equity in that business. With most of the businesses we go into, we try to arrange a mandatory buy-back program. For example, if it is a business opportunity which I would say is more of a passive nature, we will often look at a figure where 80 per cent of the community profits coming out of that business each year must be put towards buying out the CDC's interest. So there is over a given and known time total ownership transfers to the community or else, if they are joint venturing, say with a major trucking company, they become a major shareholder within a specific time. It is difficult because of the different lives of the businesses. Some of them we have had going for quite some time; some are new. It would be very difficult to have an annual plan; you have a per business plan.

Mr TONY SMITH—Yes.

Mr KATTER—It is good that it is only \$1.5 million but, with all due respect, the list of ventures that we had before ATSIC was much more attractive, as far as I was concerned, than the list here. These are all big things. It would be pretty rare to find a person of Aboriginal descent that can be meaningfully involved in an operation such as Koutha or Cloncurry, with all due respect. The sorts of thing that came with ATSIC were roo shooters, general transport truck, bootmaker—I am just trying to remember them all—droving and contracting. I know of Aboriginals that have been very good at all these things. They are empowering of the individual. I really feel very strongly that I would feel more comfortable if CDC were looking at those sort of things rather than big things where I do not notice any black faces associated with them.

Mr Myers—I could probably go back and recap that our legislation has a mandatory requirement to develop a capital base, and that has been, historically, into funding small businesses where you might spend, in proportion to the amount of money you might lend, much more in doing your business appraisal processes and all of that. At the end of the day, it may not necessarily be commercially viable for us as we are currently established, which is why we are advocating—

Mr KATTER—Your instructions would have to change dramatically if you were taking over the ATSIC operation.

Mr Myers—Our paper is not about taking over the ATSIC operations. Our paper is about setting up a new structure under new legislation which would embrace the types of things that the CDC funds and the types of things that ATSIC funds. In other words, it must be a new organisation with a very clear commercial focus which can provide the full range of business funding support, from small business right through to the large joint ventures—because, while we have mining companies and those sorts of businesses knocking on the door wanting to do business with indigenous people, we believe we should be there to be able to respond to those opportunities, as well as individuals.

Mr KATTER—We would point out to you that at any given point in time, there is an awful lot of money in the bank accounts of these 28 shire councils in Queensland.

Mr Myers—We would be happy to talk to them.

CHAIR—I am going to bring this to a close, because our other witnesses are here. Before I do so, I would like to thank you once again for coming along. There are a number of very important issues which we would like you to respond to urgently. Also, the secretary has a number of further questions which we have not had time today to put to you. They will be put to you in letter form, and we ask for an early response on those. Once again, thank you for your help today.

Mr Myers—Thank you.

[5.45 p.m.]

JUDGE, Mr Hal Francis, Director, Job Network Provider Support Section, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory 2600

PATTERSON, Mr Russell, Assistant Secretary, Indigenous Employment Initiatives Branch, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory 2600

PFLUGER, Mr Paul David, Assistant Director, Job Network Provider Support Section, Department of Employment, Education, Training and Youth Affairs, PO Box 9880, Canberra, Australian Capital Territory 2600

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 and that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament.

Before we proceed to ask some questions, I understand that in the last half an hour you have delivered a document entitled, ‘Submission to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs, Department of Employment, Education and Training’. It has the word ‘draft’ on the top of it. Do you have any objection to this draft document being authorised for publication?

Mr Patterson—Mr Chairman, I apologise for not getting this report to you earlier. It is still in draft form and is yet to be cleared at the appropriate level within the department. I would prefer that it not be published, but we will get a copy to you very shortly in final form.

CHAIR—Before we respond, can I make a comment for the benefit of your department and others? This committee has for some considerable time now been very cooperative and very appreciative of submissions that are given to it in its duties. We have set up this public hearing today and we have just received a document in the last few minutes. None of the members have had an opportunity to read it. How can we therefore discharge our obligations adequately and also, with respect, have dialogue with you adequately, with that total lack of notice?

Secondly, the document that has just been given to us anyway is a draft and not in a form suitable for publication. It follows from what you are telling us that we cannot really ask you any questions, assuming that we could speed read this on the run, because it will go into the transcript and may conflict with your request that it not be made public.

With great respect, Mr Patterson, in my view, the committee has been put in an invidious position. I want it known that this committee does not appreciate submissions coming in at this late stage and with this caveat, without there being special circumstances. It makes a whole nonsense of the process. I also want it known that, if it was thought that witnesses to this committee’s inquiries were wishing to limit the exposure of their activities by giving documents at the last minute, this committee will very quickly arrange for other public hearings after we have had the opportunity of studying these documents, so that we are not constrained

from pursuing issues which it is our duty to pursue. I think there is a clear enough message in that.

Mr QUICK—I have written heaps of notes and questions. At the end of today's proceedings, *Hansard* is going to be printed as part of today's hearing. How do we get on if we are quoting figures and questioning statements made in this submission, if it is only a draft and has not been cleared by the minister?

CHAIR—In the absence of you making some request to me as chairman, questions can be asked freely by members of the committee to you; but, if the questions quote passages from the draft submission and then you took objection or asked that those questions not be put to you because of the difficulty you are in, I would probably have to say to the member of the committee that at this stage we will either go into in camera or not proceed at this stage and we will have another hearing. That is the way I will have to handle it. If you can ask questions that do not quote the document, by all means do so.

Mr QUICK—How can you ask questions when, for example, there are figures quoted here on certain pages?

Mr TONY SMITH—I wonder whether we should not adjourn the matter. I really do not think it makes any sense to carry on like this. Mr Quick makes a very good point.

Mr QUICK—I ask Mr Patterson, whom I know very well and whose expertise in the whole field of DEETYA matters I respect: how quickly can we get a final draft?

Mr Patterson—I was hoping to have one today, Mr Quick, but could not get it cleared.

Mr QUICK—We have three days next week.

CHAIR—We do not have a public hearing scheduled for next week. It is a short week.

Mr KATTER—Mr Patterson, who had to clear it?

Mr Patterson—My immediate supervisor—and, unfortunately, we have not been able to speak today. My officers spoke to the inquiry secretary to say that we have a draft and in good faith passed it across to the committee. In respect of any questions that the committee would care to ask, obviously we would answer the questions completely and fully and in some detail, regardless of the status of this document. Much of the material in the document is printed elsewhere for the public record and so on. But certainly in response to Mr Quick's question, I had hoped to have the document cleared by now, and would expect to have it cleared very shortly.

CHAIR—I am in your hands, gentlemen. I am willing to proceed and let you ask questions and see how we go; or we could adjourn.

Mr QUICK—I find it a bit of a hassle. I would hate to be 15 or 20 minutes into some questions when we suddenly get to a position where a question is too sensitive to illicit an answer and that places our three witnesses in a situation where they may say, 'I'm sorry, but this is a draft. We can't answer that,' and

we end up coming back again, as we have done with the previous witness two or three times. This is too important. This is the first time I have had a chance to talk to DEETYA and, if we are going to do it, I would like to do it from a position where we have a firm document. I am a pretty good speed reader and I have written heaps of things here. I would like to take it away and at least spend a couple of days on it.

CHAIR—I agree. I think the straw vote has been taken.

Mr LLOYD—The only comment I would make in looking very quickly at the submission—again, I am a bit hesitant on commenting on it—is that I cannot really see any recommendations as such. It looks to me as basically being a compilation of exactly what DEETYA does and of the schemes that are in place. I cannot really see where the submission makes any comments on success, or any recommendations: I could be wrong.

CHAIR—I want to make it clear that this is nothing personal against the witnesses present, but I am very disappointed that the committee has been placed in this position. You have seen what has happened and, therefore, I propose to close the meeting in a couple of moments time and to indicate that the secretary will confer with you and endeavour to organise another public hearing at the earliest possible date. As members, we will be more than extremely disappointed if we do not have the final submission with the secretary by Monday. Is that clear? If we have not got it by Monday, then I will have to call the meeting together and consider other action. We will try to schedule the hearing for at least 48 hours after that, Harry, but it may not be next week because of the short week. That is where we stand.

Resolved (on motion by **Mr Tony Smith**, seconded 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 5.54 p.m.