



HOUSE OF REPRESENTATIVES

**STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND
PUBLIC ADMINISTRATION**

Reference: Regional banking services

DARWIN

Monday, 10 August 1998

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND
PUBLIC ADMINISTRATION

Members:

Mr Hawker (Chair)

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|-------------|--------------|
| Mr Albanese | Mr Mutch |
| Mr Anthony | Dr Nelson |
| Mr Causley | Mr Pyne |
| Mrs Gallus | Dr Southcott |
| Mr Hockey | Mr Willis |
| Mr Latham | Mr Wilton |
| Mr Martin | |

Matter referred to the Committee:

Alternative means of providing banking and like services in regional and remote Australia to those currently delivered through the traditional branch network.

The inquiry will focus on how individuals and small businesses in regional Australia will access banking and like services in the future, given that the rationalisation of the traditional bank branch network is forecast to continue. The Committee's deliberations will also extend to Recommendation 96 of the Wallis Report (that governments expedite 'the examination of alternative means of providing low-cost transaction services for remote areas and for recipients of social security and other transfer payments'). The inquiry will not examine the provision of investment services, superannuation or insurance.

WITNESSES

| | |
|---|------------|
| CLEMENTS, Mr Gary Ronald, Acting Assistant Secretary, Industry Development, Department of Asian Relations, Trade and Industry, Northern Territory Government, 76 The Esplanade, Darwin, Northern Territory | 786 |
| DUTCHAK, Mr Philip James, Project Manager, Outback Digital Network, GPO Box 1564, Darwin, Northern Territory | 790 |
| McLINDEN, Mr Peter Julian, Policy Officer, Transport and Infrastructure, Local Government Association of the Northern Territory, 59 Smith Street, Darwin, Northern Territory | 777 |
| MANNIX, Mr Frank, Director, Traditional Credit Union, Executive Officer, Arnhemland Progress Association, Rapid Creek Shopping Centre, Rapid Creek, Northern Territory 0810 | 764 |
| MANNS, Mr John Miles, General Manager, Traditional Credit Union, Rapid Creek Shopping Centre, Rapid Creek, Northern Territory 0810 | 764 |
| MAYNARD, Mr Phillip John, Policy Officer, Local Government Association of the Northern Territory, 59 Smith Street, Darwin, Northern Territory | 777 |

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND
PUBLIC ADMINISTRATION

Regional banking services

DARWIN

Monday, 10 August 1998

Present

Mr Hawker (Chair)

Mr Albanese

Mr Anthony

Committee met at 9.10 a.m.

Mr Hawker took the chair.

MANNIX, Mr Frank, Director, Traditional Credit Union, Executive Officer, Arnhemland Progress Association, Rapid Creek Shopping Centre, Rapid Creek, Northern Territory 0810

MANNNS, Mr John Miles, General Manager, Traditional Credit Union, Rapid Creek Shopping Centre, Rapid Creek, Northern Territory 0810

CHAIR—I declare open this hearing of the House of Representatives Standing Committee on Financial Institutions and Public Administration's inquiry into alternative means of providing banking and like services in regional and remote Australia to those currently delivered through the traditional bank branch network. In the course of this inquiry, we have taken evidence from a wide range of organisations and individuals, including financial institutions, local and state government bodies, and community groups. We have had over 130 submissions. The committee is visiting every state in Australia. The response to the inquiry has been extremely encouraging, and the committee has been most heartened by the very positive way in which most people have approached this inquiry.

This morning we are hearing from the Traditional Credit Union, the Local Government Association of the Northern Territory, the Northern Territory Government and the Outback Digital Network. All the witnesses deal with remote communities which have small populations. The experience of these witnesses and their methods of providing banking services to remote localities will be very useful for the committee in its deliberations.

I welcome Mr John Manns and Mr Frank Mannix from the Traditional Credit Union to today's public hearing. I remind you that the evidence that you give at the public hearing today is considered to be part of the proceedings of the parliament and that the giving of false or misleading evidence may be considered a contempt of the parliament. The committee has received a submission from you, submission No. 3—you were obviously very quick off the mark. Is there any material that you would like to table?

Mr Mannix—I have copies of three annual reports of the Arnhemland Progress Association that include the development reports on the Traditional Credit Union, from concept to development to registration. They cover the three-year period in which the Arnhemland Progress Association, better known as ALPA, put the TCU into place. I also provide you with a copy of a video that is long enough to be interesting. It is only six minutes long, but it shows you where ALPA operates out in the communities, and that is where the credit union also operates. I would like to put those in as well.

CHAIR—Thank you.

Resolved (on motion by **Mr Albanese**, seconded by **Mr Anthony**):

That the exhibits from the Traditional Credit Union be received as evidence to the inquiry and incorporated into the committee's records.

Resolved (on motion by **Mr Anthony**, seconded by **Mr Albanese**):

That submission No. 133, from the Traditional Credit Union, be authorised for publication.

CHAIR—Would you like to make a brief opening statement before we move to questions?

Mr Mannix—One of the key words that comes out of your terms of reference is ‘alternative’. In October of 1992, a proposal was put to the Arnhemland Progress Association board of directors that they consider the concept of developing a credit union in response to the lack of financial services in remote area communities in which ALPA operated. ALPA, itself, is a retail cooperative that turns over \$25 million a year, does not receive government funding, employs nearly 200 people—the majority of whom are from traditional Aboriginal communities—and is a successful retail cooperative.

The board of directors initiated, through their management infrastructure, the development of a credit union to respond to the lack of financial services in communities. Many communities were faced with no financial service and no banking facility and yet the Department of Social Security, in its practice, continually sent out cheques to social security recipients in communities. At times, ALPA found itself responsible for delivering DSS’s services by having to provide up to \$100,000 a fortnight in cash so that those cheques could be cashed.

That scenario created difficulties for members of ALPA who did receive social security, including an inability to manage their own funds in that there was no provision for saving, no provision for budgeting and no facility to utilise a service that is taken for granted in urban areas. In October 1992, ALPA started discussing the concept of forming a credit union and, by December of 1994, ALPA had put a proposal and had registered through the Australian Financial Institutions Commission a traditional credit union as a separate legal entity. The head office was opened on 1 December 1993 and the first branch was opened on 1 April 1995 at Milingimbi. Since then, branches have opened in other communities, at Milingimbi, Ramingining, Galiwinku and Gapuwiyak, and it has proved to be a successful development in that the people have utilised the service that has been established. ALPA does not have a direct influence other than being a member of the credit union. I am a director of TCU and I remain the chief executive or the executive officer of ALPA.

Further to that is the cost, which John can elaborate on, and the operation of the credit union today. From the development point of view, TCU—Traditional Credit Union—was the first credit union in Australia to be formed since the collapse of Pyramid Building Society, the first to be registered under the Australian Financial Institutions Code that was adopted nationwide in July of 1992 and the first to deliver on-line data processing facilities to remote communities. This has been extended into other communities.

CHAIR—Thank you very much. Mr Manns, would you like to add anything?

Mr Manns—I would just like to speak briefly, Mr Chairman. The credit union has been established through the input of ALPA in getting everything off the ground. The credit union is stand-alone now and very, very successful. The people of Arnhem Land in particular, where we started our first four branches in remote communities, have accepted the credit union very readily. It fits very much into their own culture of sharing. Credit unions are cooperatives which save together to help each other, and this fits into the Aboriginal cultural system—in looking after their own families; everything is shared. There have certainly been a lot of problems associated with it but those problems are not insurmountable and we have proven that. The documents that I have put forward to you show a very brief history of the credit union, the financial

returns for the first four years and projections of where the credit union can go in the future. That document was prepared for the committee to have a look at.

My particular interest in putting the submission in originally was the fact that, when I saw the advertisement in the paper, I thought immediately, 'Well, we've been there; we've done that.' If you people are intending to do anything, we are probably the ones you should be talking to about how to do it, especially in the Northern Territory.

CHAIR—Thank you, Mr Manns and, again, thank you for your prompt response. Maybe we could flesh out a little bit of the background of this. You talk about ALPA—Arnhemland Progress Association—and their role in it. Mr Mannix, I think you said in your first comments that there was no actual government funding but, clearly, from the submission, there were establishment grants from ALPA, ATSIC and from the Northern Territory Department of Education. Can you flesh out the background as to how the financing was started?

Mr Mannix—I mentioned the absence of government funding in that ALPA operates without government funding. It is a successful retail cooperative operating across northern Australia. ALPA probably spent \$150,000 developing the Traditional Credit Union concept and then sought funding from government bodies. It faced much resistance in the development of this new body called Traditional Credit Union, but there was support from ATSIC, who contributed \$400,000, the NT Department of Education, who provided \$27,500, and ALPA contributed a further \$150,000. That was the initial establishment grant that formed ALPA.

I suppose the question is: has there been value for money? I do not have an exact figure on the costs of the production of a single Social Security cheque but, even if it was a conservative figure, by having the Department of Social Security deliver its services from the Reserve Bank directly to people's accounts without the use of cheques—by not having to deal with the production of the cheque, the sending of the cheque, lost cheques, misplaced cheques, misappropriated cheques and all the infrastructure that comes out of that kind of scenario—has resulted in a considerable saving to the government. TCU has provided a secure means of delivering DSS—now Centrelink—facilities as well as other government facilities, whether they be Abstudy or things that fall into other government sections. No further funding has been sought by TCU or been received by TCU. That government funding was to establish TCU independently as a separate legal and new body.

CHAIR—With the costs that must be associated with delivering over a fairly wide range of areas, do you charge fees over and above what anyone else might have to charge in a suburban operation?

Mr Manns—Firstly, I should point out that the fees that the credit union charges are discussed with the board of directors. It is not just a management decision. It depends how you look at it. You can compare the fees to bank fees. There are different ways of comparing fees. By the time you take activity fees and everything else, I think you would find that the credit union is pretty reasonable compared to the banks.

But the other aspect of it is to look at the way the people cashed their cheques previously—things like saving up, say, 10 cheques, paying a pilot to fly them into Darwin to cash these 10 cheques, spending the

money in one big port in Darwin and then hopping on a plane and going home again. A return airfare from some of these places is \$420. If they did that four times a year, you are looking at \$1,600. If a payment is paid into their account in excess of \$300, we charge a \$10 fee for processing that deposit for them, and that is on a fortnightly basis.

Mr Mannix—Out of that \$300, \$10 goes to the credit union.

Mr ANTHONY—What if it is under \$300?

Mr Mannix—It is a variable fee that is decreased pro rata.

CHAIR—So a social security direct payment would have that fee?

Mr Manns—No. That is income for the credit union.

CHAIR—You would charge on that social security transfer?

Mr Manns—Yes.

Mr Mannix—That is our primary means of income, other than the development of our loans portfolio, which has been in place for nearly two years.

CHAIR—I appreciate that you are providing something that is probably a lot more costly than in a suburban situation, so we are just trying to get a feel for what the extra cost is and how you finance it.

Mr Mannix—Even today you have communities that do not have Traditional Credit Union where some pilots are charging \$10 a transaction for someone to utilise a financial service in town.

Mr ANTHONY—How does that work? I give the cheque to him and he does a mail run or something?

Mr Mannix—Yes. He takes the envelope, the signed withdrawal slip, the card, sometimes the PIN number, or whatever it is, and does the transaction for you, or he might have someone else do it. He might just be carrying it on the plane; I am not saying the pilot himself. The fee for that would be \$10. There is no budgeting advice and there is no backup service; it is very much at the whim of the person doing that transaction.

CHAIR—What you are saying is that you can provide something that is obviously a lot more cost effective and has a lot of other advantages as well—you have already pointed out one or two. I am just trying to get a comparison with what someone running a credit union in Darwin would charge.

Mr Mannix—The NT Credit Society would not charge anything like our fees, but the NT Credit Society has chosen not to be involved with the remote area Aboriginal communities. I suppose that is the reason we pushed for the development of Traditional Credit Union.

CHAIR—Presumably there has been a lot of acceptance because what you are providing is cheaper than the alternative.

Mr Mannix—Generally, yes. There is a paradox involved. There is much more enthusiasm for Traditional Credit Union and an acceptance of the fees if a community has been without a financial service for an extended period. If we go in and replace a bank, there is not as much acceptance because people have not lived without the service for an extended period of time. There is full acceptance in communities like Milingimbi because it was without a bank for four years. Galiwinku was without a bank for five years. We were delivering cash in those days, an enormous amount of money, just to have cheques cashed.

The difference sociologically and economically is that, today, a direct credit is made to a mother's account. She holds the account and she chooses over a fortnightly period to debit her account, say, \$40, which has the effect that she is able to help provide, for example, food and clothing for her family over the two-week period. Previously she was cashing the cheque and, with cultural pressure and all, the family lived well for two or three days and then, in a typical feast or famine scenario, went without for 11. Today, with this facility, she is able to budget and control her own finances over that two-week period.

Mr ANTHONY—This is your own plastic card facility, is that right?

Mr Mannix—Yes.

Mr ANTHONY—Would you elaborate on that?

Mr Mannix—We have branches in these communities in which the card is presented at the branch of the credit union and a withdrawal is made. We operate these branches in the communities themselves.

Mr ALBANESE—Since your establishment, are there any examples of where banks have moved out and you have moved in? You spoke about the different responses you get.

Mr Mannix—The first four branches were situations where TCU went in after a void of financial service. At the fifth branch, which we opened recently at Port Keats, we replaced the Commonwealth Bank agency.

Mr ALBANESE—So they moved out.

Mr Mannix—Yes, and we moved in.

Mr ALBANESE—Was there any notice? How did you know they were going?

Mr Manns—The situation was that, as soon as the Commonwealth Bank found out that we were going to open a branch down at Wadeye at Port Keats, they asked when the credit union was opening. We gave them the date, which was a Monday, and they said the agency is closing as of the Friday night.

CHAIR—So the Commonwealth Bank gave one week's notice.

Mr Manns—They probably gave about a fortnight's notice that they were going to close.

CHAIR—That is contrary to what they claim is their practice.

Mr Manns—They are trying to close branches all over the place.

CHAIR—But, normally, they say that they give a minimum of six weeks notice.

Mr Manns—I do not want to call them dishonest or anything. Just to elaborate a little more on the fees side of it, the classic example is Port Keats, which we opened in early April. We had over 750 members sign up within the first week of operating, and since then we have lost only two of those members because of the fees that we have charged. But we have also picked up about another 300 members on top of that, so there is an acceptance of the position.

Mr ANTHONY—Were the fees charged by Commonwealth Bank any different out there compared with what they would have been in Darwin? Is there a higher transaction cost?

Mr Manns—Activity fees are charged on all their accounts.

Mr ANTHONY—Was there a noticeable variance between what you would pay for transaction costs in Darwin and these other remote locations?

Mr Mannix—We would not know what the Commonwealth Bank or Westpac were doing in communities, and I suppose our feeling is that what they do or what they have done is their business. More to the point, our focus has been on what we have tried to respond to. The fact that we have had to charge fees at our rate illustrates what commitment the Commonwealth Bank made to these communities over an extended period. I think we should give credit where it is due, because they operated branches or agencies in communities for an extended period that were loss makers. With the changing structure of the Commonwealth Bank, their board of directors had a duty of care to get a return on the investment and not to run unprofitable businesses. That was the changing nature of the Commonwealth Bank and, similarly, Westpac and other places that have withdrawn from communities. What we have done is to try to provide the alternative as a finance cooperative fairly simply.

Mr ALBANESE—With the loans you give out, what is a rough break up of what those loans would be for?

Mr Mannix—Because the credit union has not been operating that long, we have a maximum loan of \$5,000 at this stage. This comes back to part of the concern of the board of directors in educating on the financial side of things—in budgeting, control and things like this. So in answer to your question, the majority of women borrow money to buy things like washing machines and refrigerators and men more so for cars and things like that. You could probably say it is pretty close to 50:50 in the break up between household goods and motor vehicles. We are a little more unique. You do not get much for \$5,000 in the way of a car, so we will look at a family situation. There might be five people in the family that have an income and can afford to pay part of the loan back, so we would lend five people \$5,000 each so that they

could buy a \$25,000 family vehicle.

CHAIR—Obviously you are providing more than just a credit union service. How much of this financial advisory role do you see as different from other credit unions?

Mr Mannix—Even from the start, we had to start a community based grassroots education process on the ground: what is a credit union? What is the law behind it? Is there a comparative law in traditional Aboriginal society? What is the power of the law? We had to discuss laws on confidentiality and the duties of directors. We had to produce the Australian financial institutions code and show its link back to the Northern Territory government and the Attorney-General and show its link back to the Australian constitution and say that this had real power behind it.

We had to do this on the ground in the appropriate cultural setting, starting from the consultation approach with land owners then with mala leaders, the skin group leaders, and community leaders, then with community councils, women's groups and all sorts of groups. Part of the cost that we outlay goes towards this consultation and education process.

Then there is the economic story. Many of the members in our communities ask the question, 'Why is Bernie Fraser sending me this cheque? It just keeps turning up each fortnight. What makes Bernie such a good bloke that he wants to send me a cheque?' That was from where we went in and had a look at trying to deliver a service that was accepted and understood by the people. With that, ALPA and then TCU have continued on with that commitment to develop education alongside the delivery of financial services. So, yes, we do work outside the traditional form of banking and financial institutions by reason of playing a development and education role.

CHAIR—So are you an agency for any other group—ATSIC, the state or territory government or someone?

Mr Mannix—No.

CHAIR—It is entirely your own?

Mr Mannix—Yes.

Mr ANTHONY—Do you want to have any other facilities?

Mr Mannix—Like?

CHAIR—A finance advisory role.

Mr ANTHONY—Or maybe even broader than that. In some communities in North Queensland, the credit unions are going into joint ventures with perhaps the local government in those particular areas to provide a one-stop shop. So you come into that facility not just for banking but for motor registry, insurance or whatever.

Mr Mannix—There is long-term potential for the Traditional Credit Union to be a financial hub in the community in which it has established a branch. It could play a role from handling insurances, to travel, post office work or a whole range of things. That is, I suppose, part of the long-term potential of the Traditional Credit Union, of being a service provider in areas other than the straight money exchange, investment or whatever. There is that potential.

But the workload is great as it stands and the progress is demanding enough without wishing to extend it. The interest shown in the development of the Traditional Credit Union from across Australia has been enormous. At the same time, we are not in a position to be, I suppose, carrying the flag for all other parts of Australia. The job at hand for us is great enough.

Mr ANTHONY—I must commend you on what you are doing. I think it is outstanding.

CHAIR—I think we are all very impressed.

Mr ANTHONY—It is good to see organisations like yourself not just growing but remaining financially viable. Obviously, you just started a few years ago. I notice you have your projections here and your loan portfolio, hopefully, will be up to \$3 million from \$1.3 million and operating at a profit. You may not wish to say this because it will be recorded in the *Hansard*, but I am sure you would not mind. Is there a certain break-even point? You were making fairly big, until recently, operating losses. Do you have to get to a critical point, and you are obviously happy with your progress in that respect?

Mr Manns—We turned the corner in March last year. We have had only one loss in about the last 16 months so we think we have turned the corner. To give you an indication, forgetting any income that we would make from a branch, it costs us roughly \$90,000 to \$95,000 for the first year to open a new branch. We certainly offset that cost by what we make out of new members coming in, paying their fees and things like that. The growth of the credit union loan portfolio will certainly change our attitude to fees in the long run. We could go out and lend \$3 million tomorrow but, if it is not done in the correct way, we have got no control over making sure that money is going to come back, so the whole thing is an education process.

I managed two other credit unions before I came here to the Traditional Credit Union. The turning point is roughly about \$11 million in loans. The income from that \$11 million in loans would normally cover most of your expenses, so I am projecting to the board a fee-free credit union when we reach about \$11 million in March.

Mr ANTHONY—How many EFTPOS machines would you have?

Mr Manns—We are only looking at operating in the remote areas really. We are not trying to get into the banking system—it is just far too expensive.

Mr ANTHONY—Are they in place now, or do you hope to put them in?

Mr Manns—They are just about ready to go in. We are small, and when you go to an EFTPOS company and ask them how much terminals are, their answer is, ‘How many hundred do you want?’ We

actually leased out 30 of them to start off with and there will probably be about a dozen of those operating within the next month.

Mr ANTHONY—Obviously there will be a big education program needed on those sites that you have—or are people used to it?

Mr Mannix—There is and there is not. Yolnu societies are extremely competent in dealing with mainstream financial systems and using plastic cards at ATM machines—whether it be Westpac, NT Credit Society or whoever. That is not as great a challenge as some of the other ways that we deal with the story of money holistically. The plastic side of things is not an impediment to the progress of the credit union. Yes, there is an education role, but it is not as great a challenge compared to other matters.

Mr ANTHONY—Will your fee structure vary much when you go to put your card in the hole in the wall, as opposed to cashing your DSS cheque?

Mr Mannix—Our system will not be able to go into the ATM—the hole in the wall. EFTPOS is simply a hand-held facility that will be at the ALPA store and at the branch. That would be the extent of it. It is a local system, separate from the main EFTPOS system that exists between banks and other financial institutions. However, we are looking at and endeavouring to develop a proposal for us to enter the mainstream EFTPOS system and, hopefully, in the next six months we will have a response to it and will find a way of not having to spend \$100,000 to join up.

Mr ALBANESE—Do you operate in Darwin and Alice as well?

Mr Mannix—No. Our head office is here in Darwin, at Rapid Creek. The branches are out across the north of the Top End—Port Keats, Milingimbi, Raminging, Galiwinku and Gapuwiyak. We have had requests to go south. At this stage, we are looking at two potential new locations in the early new year: one at Nguiu on Bathurst Island and one at Yirrkala over next to Nhulunbuy; they will be the next two for consideration. But we have had requests from Far North Queensland over to the Kimberleys; all in time.

CHAIR—You mention you are on line to these places. What sort of a cost structure do you have with—I presume—Telstra; and do they give any consideration to the fact that you are operating in fairly remote areas?

Mr Manns—Telstra have been extremely helpful. They try to help us out as much as they can. The biggest problem that we have is the communication lines. For instance, at Port Keats, they use a system which is what they call a half duplex system. In short, what happens is that if two people are talking on the phone and one interrupts the other, the second voice will override the data going down the other way. When you are using a modem or a direct line, it can cause problems and you are resending stuff. So when it should take, say, 20 minutes to send a lot of files down for the branch to operate on, you are looking at 40-60 minutes sometimes for that to happen.

I could not give more praise to Telstra for what they have done. They have certainly gone out of their way to help us as much as possible. They have to cater for the whole of Australia; this is a remote area so

they have to provide the best that they can. I would dearly love them to have satellite communication. We have even looked at it but for the cost up front you are looking at \$60,000 for us to go onto a satellite-type communications system, which would be an absolutely true on-line system. We just cannot afford to pay that sort of money at this stage; maybe one day, yes. They have been absolutely incredible.

Evidence was then taken in camera, but later resumed in public—

CHAIR—Can you quantify the savings to Centrelink, the way you have set it up and what it has meant?

Mr Mannix—Our understanding is that the cost of producing a Social Security or a Centrelink cheque, the cost of delivering it, the cost of posting it or whatever—the cost of handling it from an administration point of view—could be as much as \$10 a cheque.

CHAIR—So you reckon you have saved DSS and Centrelink about \$1 million?

Mr Mannix—Up to \$1 million based on the fact that we have put through 100,000 transactions on their behalf.

CHAIR—Per year or just since you have started?

Mr Mannix—Since we have started.

CHAIR—In any discussions with them they are not prepared to assist you?

Mr Mannix—We have not had direct discussions other than general briefings of what we do and how we do it—briefings focusing more on our exchange of information and understanding of what we do than an actual finite request. My request for the committee to consider is for government services to develop a better understanding of what organisations are doing to deliver their services and, in developing that understanding, of what assistance they can provide. If we are delivering a service for a government department that makes that government department's job easier and cheaper, what assistance can they provide to help us do that job better? That is all; it is not a major thing.

CHAIR—That comes back to the obvious question. You were saying someone could give \$100,000 to set up EFTPOS across the board. Have you tried approaching anyone on that?

Mr Mannix—Through private means at the moment, not through public facility. We are looking at having some meetings in Sydney soon and, hopefully, something can come out of that. What we do is offer a long-term business relationship. It is for others to join in on that because we are out there doing the job. That is the attraction for anybody to provide assistance. We had commitments from private industry, from companies, to start this credit union. When we could not get government funding, we were going to go ahead and start the Traditional Credit Union because of our business interests. Companies were going to sponsor it. We did not need it when ATSIC decided to come on board. I congratulate ATSIC for doing that.

CHAIR—Thank you, Mr Mannix and Mr Manns, for coming before the committee. Thank you for your submission and for the information you have given the committee today. I think it has been extremely valuable. On behalf of the committee, I would like to commend you on the work you are doing. It is very impressive.

[10.05 a.m.]

MAYNARD, Mr Phillip John, Policy Officer, Local Government Association of the Northern Territory, 59 Smith Street, Darwin, Northern Territory

McLINDEN, Mr Peter Julian, Policy Officer, Transport and Infrastructure, Local Government Association of the Northern Territory, 59 Smith Street, Darwin, Northern Territory

CHAIR—Welcome. I remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of the parliament. Accordingly, I warn you that the giving of false or misleading evidence may be considered a contempt of the parliament.

The committee has received a submission from you which has been numbered 31. Is there anything that you would like to table?

Mr Maynard—I have 12 copies of an attachment here.

CHAIR—Okay.

Resolved (on motion by **Mr Albanese**, seconded by **Mr Anthony**):

That submission No. 134 from the Local Government Association of the Northern Territory be received as evidence to the inquiry and authorised for publication.

CHAIR—Would you like to make a brief opening statement before we proceed to questions?

Mr Maynard—Yes. I would like to give apologies for Mr Alan Harris who is Council Clerk at Nguui on Bathurst Island and was previously at Daguragu in the western Katherine region. He was to appear before this hearing, but unfortunately he is in Melbourne today and cannot attend.

Thank you for providing the Local Government Association of the Northern Territory with the opportunity to address this parliamentary committee inquiry into alternative means of providing banking and like services in regional Australia. Before I go on, I would like to endorse the comments of the Traditional Credit Union. Certainly the Local Government Association is very keen to see the Traditional Credit Union entering into this area. It is probably quite significant that, of the nine responses we have received from remote areas, six are from the Alice Springs region where the Traditional Credit Union does not operate.

The Local Government Association is the peak body for local government in the Northern Territory and has 70 member councils and associations across the Territory. Attachment 1, which I have provided, has a map indicating the location of our member councils. One of the aims of the association is to represent the views of our member councils on issues of concern to the communities which they serve and represent. The majority of these councils represent small remote Aboriginal communities, and it is these communities which have asked us to appear before you today to discuss banking arrangements.

The banking issue is one which is raised consistently at the regional and community meetings that LGANT facilitates in all regions of the Territory. Banking related services is just one of a number of services and responsibilities that the local community government councils are expected to undertake by their community. Other such services are postal services, social security payments, policing, provision of power and water and correctional services. They perform these functions in the absence of providers or departments and agencies in the community.

The point we wish to stress here is that, unlike the work and responsibilities of councils which your committee members would relate to in other states, these small councils in the Territory have no choice but to undertake a much broader role in the delivery of day-to-day services to the community. The councils in question share in the distribution of Commonwealth grants for local government purposes, but the funds from this source which are intended to be expended on local government functions are often used to subsidise the losses incurred in providing the services which in other communities across Australia are provided by the states or Commonwealth government in the private sector.

The net effect is that normal local government services and functions for communities are jeopardised when funds allocated for local government are spent on banking, postal, power and water and social security, which are not services of local government, which are generally not funded properly to reimburse council expenditure.

Turning now to the specifics of this inquiry, the association has asked members for their views on your terms of reference. We received 11 written responses, and I have collated these into attachment 2 for the information of committee members. In general terms, the responses show that the banking industry has not provided adequate services and there has been no real attempt to address the particular issues faced by these remote communities. While this inquiry has focused on alternative banking services, our members have not received the normal banking services that have been provided in other rural and regional areas of Australia. Whilst banks have been reducing services in these areas across Australia, the remote communities which have responded here have generally never had such services.

I now wish to draw out from the responses a number of points which LGANT believes need to be considered by your inquiry into the provision of alternative banking services which relate to remote Aboriginal communities in the Northern Territory.

Inadequate telecommunications infrastructure will need to be overcome if electronic transactions are to be part of the alternative. Aboriginal communities are based on a cash economy. The implications of any alternative banking services need to relate to a cash economy.

Communities would be interested in exploring alternative banking services which have as their aim improving current practices. While some councils have tried to provide some level of banking services in the absence of any other providers, and these councils may be interested in new alternatives, no new alternatives should be considered which are based on the council subsidising the service from local government funds. Alternative services which prevent the council having to hold large amounts of cash would be encouraged in the interests of security. Any change to new alternatives would require community education and training. The training and education would need to be conducted in a culturally sensitive way.

The local government association would welcome the opportunity of assisting the implementation of any of these recommendations from the inquiry which would benefit councils and communities in the Northern Territory. We thank you for the opportunity provided today to raise issues on behalf of our members and will be happy to respond to any questions you may wish to ask. Peter McLinden is here as a community representative. He would also be able to answer any questions. I have collated the responses from the communities. Thank you.

CHAIR—Thanks, Mr Maynard. Mr McLinden, do you want to add anything?

Mr McLinden—Not at this moment, but I am quite willing to answer any questions. As I said before, I have spent time in communities from a local government perspective.

CHAIR—Can you start by outlining how local government provides these services when there are no alternative banking facilities available. What exactly are your councils offering?

Mr McLinden—We basically offer a smaller scale of the Traditional Credit Union. I know that, from the experience I had at the Nguiu councils some eight years ago, we used to cash the DSS cheques at a small fee. Those cheques were banked through the Nguiu councils procedure. There was also a Commonwealth Bank agency set up in the time I was there. There were a number of changes in that time. It went to the store and then came back to the council in that period. I believe that there is no longer any Commonwealth agency over there.

There are problems with the council running an agency and even the banking facilities in that there is a massive changeover of management staff. I think the average of a town clerk would be 18 months max, so that does have difficulties on its own regarding the administration of such a facility for those communities.

CHAIR—When you mention a small fee, what are we talking about? Is it the \$10 fee that was mentioned before or something else?

Mr McLinden—In the time I was there, the actual fee was built into what they called a service fee or service charge. That brought in water, lawn mowing, sewerage and roads. It was, if you like, a service rate. Part of that service delivery was the cashing of DSS cheques. Once again, I would like to take up the point relating to the security of a Traditional Credit Union in getting the money to service those facilities or services that they do.

CHAIR—Do you want to go in camera for these comments?

Mr McLinden—Not really because these practices do not take place. My personal experience is that I have handled large amounts of cash. If an officer is going over, it is quite common practice even now in communities that they are asked to bring large quantities of cash to facilitate this. I just want to support the Traditional Credit Union in their comments in regard to security. It is a huge issue for our local government members out there.

CHAIR—What I am trying to get a feel for is you mentioned that local government is subsidising the

provision of this banking service and yet you are saying that it is actually included in the rate structure.

Mr McLinden—‘Rate structure’ is poor terminology. Because it is Aboriginal, there are no rates as such on the land. Most councils do have a service fee that takes in housing maintenance and roads. So, in the mainstream, you would probably call it a rate. A lot of councils find it a lot easier to build all their service charges into one fee rather than trying to break it down to constituents such as \$10 for banking, \$30 for roads and \$10 for this a fortnight. It is just a lot easier to do a service fee.

I would like to raise another point. There is a Commonwealth agency—I forget its name; it is in our notes. They get paid \$3,000 a year to run that agency. We just heard from the Traditional Credit Union that it is costing them \$90,000 to set up an agency and run it. So there is certainly a big disparity. The culture and nature of running an agency—any agency, whether banking or social security—in the community is that at times you might need two or three people where one could do because of cultural reasons. One person might not be able to talk to another so they have to back off from that public arena. There are certainly cultural perspectives that we need to take into account in any sort of agency agreement, banking or alike, at a remote Aboriginal community.

Mr ALBANESE—I would like to get a bit of a feel for whether banks are withdrawing at the moment. What is the process at the moment in the NT? Have banks been shutting up branches in the last few years?

Mr Maynard—I do not have any figures on that, and I am not too sure how many agencies there are at the moment and what arrangements they have with the councils. There was one mentioned here. It was not the Commonwealth Bank agency but I think one of the other banks. But the payment of \$3,000 to run a bank agency is just laughable really. I know that Nguiu had a bank at one stage. Numbulwar is another community that said it had a bank agency in the past. So the banks are generally withdrawing, but I do not have those figures.

Mr ALBANESE—Do you know how they have withdrawn? One of the problems that we have found in other places is that of banks making a decision to withdraw and not really letting people know until the last possible minute.

Mr Maynard—I do not have that knowledge. From the local government’s point of view and our association’s point of view, our main concern is that, where communities are taking on this responsibility, they are really blackmailed. It is not just banking—and I know that I am getting away from the subject—but it is also across the whole area. I heard the figure of \$1 million mentioned with Centrelink, with the Traditional Credit Union. In another area our councils are also running Centrelink agencies. In some places some communities get paid and in other places they do it for free.

We have done a general costing and interpreted it across the community across our 70 members, and there is probably about a million dollars there as well where councils are doing work for Centrelink agencies. I think that banking is just another one of these things that are being pushed onto small local government councils. While the Traditional Credit Union is doing a great job, many of our member councils have populations of between only 200 and 500 and I do not think the Traditional Credit Union would be able to

run branches in that area.

Mr ANTHONY—You have 70 local councils. How many of those would be providing banking services? What is the range?

Mr Maynard—To get it into perspective, of the 70 councils there are six mainstream councils. They are Darwin, Palmerston, Litchfield, Katherine, Tennant Creek and Alice Springs. Of the rest—probably about 30—they are called community government councils and they come under the local government act. In all respects they are local government councils. Then there are about another 30 association councils which are Aboriginal councils on Aboriginal land. They are recognised as local government bodies by the Commonwealth and the Territory governments, and they receive federal assistance grants.

We have not really got a handle across the whole issue here. In some areas you have the Traditional Credit Union; in other areas you have the store. There was a person here before from ALPA. It suits the store to be able to cash those cheques. The other problem is that it is feast or famine when the cheque comes in. They cash their cheque, they walk outside and all their relatives are there. They are broke the next day.

Most of the stores—and I also work in the consumer affairs side—have what they call ‘book up’, which stops the feast or famine situation. But really, in effect, what happens is that the store cashes the cheque, probably \$400 of the \$500 they would have booked up in the previous fortnight, so they are straight back into book up again. At least the kids are getting fed, and book up allows that to happen. But there are some concerns from the consumer affairs side of things about that situation.

With EFTPOS people can get their money out but they cannot put any money back in again. So the cash sits around. It gets gambled.

It was interesting in that the Traditional Credit Union was talking about finances. Very few Aboriginal people can walk into a local finance authority and get finance for things. My understanding is that, with a lot of Aboriginal people, gambling is really a way of finance. I have seen some of these card games, and there are thousands of dollars changing hands overnight. But that is the way it is done; if someone wants a boat or a car, they have to go and try their hand at winning in cards. They might win five or six grand and go into town and buy a car. That is the way they get around that situation. That is an alternative way of banking.

Mr ANTHONY—Unless they lose, I am afraid.

Mr Maynard—That is right.

CHAIR—I think you said that Centrelink pays one of your members to provide an agency, and in some places it does. What is the arrangement there?

Mr Maynard—We have been having an ongoing battle with Centrelink for about three years now on this whole agency arrangement issue, and banking is just a very small player in that. Normally their criteria is that, where there are 250 or more, they will fund an agency. Where there is a population of fewer than 250, the council have to provide that service with their own funds. But even where they fund an agency, our

experience is that the amount of hours they fund is normally half, or at least half, of what is required to do the job.

They also provide an hourly rate for an individual to work, say, 10 hours a week—and that would be the average. They get, I think, \$13 an hour. So they pay \$230 a week. But the problem is that there is no provision for oncosts or—

CHAIR—There are two staff?

Mr Maynard—Normally one. In a large community of, say, around 500 to 800 people, an individual there is working from the council for 10 hours a week and getting paid through Centrelink. But the problem is that the community knows when the cheques arrive. The person is expected to work 40 hours a week, virtually, for 10 hours. So the council pays a full-time person and picks up a small part from Centrelink.

Peter spoke about the resignation rates among our council clerks. You are going pretty well to have a clerk in the community for more than 18 months. As for only getting nine or 10 responses from remote councils, they just do not have the time. They are running all sorts of things.

CHAIR—I would like to explore that point. If employees are lasting only 18 months, where are they going then?

Mr Maynard—Some of them are recycled.

CHAIR—In terms of efficient administration of local government—

Mr Maynard—It is very poor.

CHAIR—I would be pretty worried with that sort of situation. You need some continuity.

Mr Maynard—We have taken steps. We have just recently entered into an arrangement with the overseas services bureau to start up a remote recruitment agency, through which we are looking at trying to recruit people from outside of the Territory.

A lot of clerks are recycled. There is a bit of a saying that goes ‘Don’t have a go at people working in remote communities’ because we have a lot of time for people who work in those areas. But in general, the saying is that they are one of the three Ms: they are either misfits, mercenaries or missionaries. We are trying to get management in there as well somewhere along the line. With this arrangement we have with the overseas services bureau, we are hoping to attract people who, instead of going out to Africa, might decide to go to Central Australia or to remote areas of Australia.

It is interesting to note that we had recruited a person from Zimbabwe recently who went out to Elcho Island. He was an excellent clerk but he has just left, saying he was going back to Africa where it is safer and quieter. So you have to wonder.

Our main problem from the local government perspective is that banking facilities are desperately needed for those communities, but our experience is that it is just another impost on the local government council, which is not being funded to run those things.

Mr ANTHONY—How are you going regarding telecommunications? That must be very difficult for a lot of your councils.

Mr Maynard—That is right. We are quite excited about RTIF—the regional telecommunications infrastructure fund. We put a proposal into that fund, and we have a pilot study at the moment. We are putting Internet and email facilities into four communities as a pilot. Those communities are: Nguiu on Bathurst Island; Kardu-Numida or Port Keats or Wadeye—a lot of those communities have three or four different names; Apatula, which people might know as Finke down in central Australia; and Tapatjatjaka or Titjikala—another community south of Alice Springs. Our full program is to give Internet and email facilities to all our members. Our initial application to the RTIF was for, I think, \$2.2 million. We are hoping to have this pilot project finished by the end of the year. We hope that within the next two or three years all our communities will be—

Mr ANTHONY—Is it by satellite or by base stations?

Mr Maynard—We are working in conjunction with the Territory government. DCAT, the Department of Communications and Technology, will be working with Telstra, I presume, and providing that infrastructure. A lot will be by satellite, from what I understand.

Mr ANTHONY—When you have that up and running, do you think you will be able to offer greater financial services to those remote communities?

Mr Maynard—I am a bit reluctant for local government to be involved. Really, they should be stepping back from this area and letting people like the Traditional Credit Union run that sort of service. I know it is difficult for them to run the services for small communities, but certainly they know the culture, they know all the problems there are on remote communities. I was very interested to hear what they had to say today. I can see some sort of arrangement where traditional credit unions can get into those larger communities, and possibly the councils could operate a smaller sub-base from the Traditional Credit Union.

Mr ANTHONY—There is no relationship at the moment between that credit union and your organisation in sharing of costs, buildings or staff?

Mr Maynard—No, there is not. I was interested in what you had to say before, Mr Anthony, about these government centres. We have had talks with Centrelink just recently about the agency arrangements. We had people up from Canberra just recently. We spoke about this idea, especially for the larger communities where there is a population of 2,000 or 3,000—Port Keats was the one we mentioned—of having a small government centre which could be Territory and Commonwealth government combined. The problem at the moment for nearly all of these communities is that the only government presence is local government, and in a lot of those communities, as I say, it is a small office with probably one European clerk and maybe a bookkeeper. They are very small offices. They get inundated with public servants coming out to

visit. The pressure on them is tremendous, and these agencies are just another pressure.

CHAIR—I thank you both very much for coming before the committee. Thank you for your submission. I am sure the material is going to be very valuable for the committee in its work.

Proceedings suspended from 10.30 a.m. to 10.43 a.m.

CLEMENTS, Mr Gary Ronald, Acting Assistant Secretary, Industry Development, Department of Asian Relations, Trade and Industry, Northern Territory Government, 76 The Esplanade, Darwin, Northern Territory

CHAIR—I welcome Mr Clements to today's public hearing. May I remind you that the evidence that you give at the public hearing today is considered to be part of the proceedings of parliament and that the giving of false or misleading evidence may be considered a contempt of the parliament. The committee has received a submission from you, numbered 92. Are there any materials you would like to table?

Mr Clements—No, there are not.

CHAIR—Do you wish to make a brief opening statement before we proceed to questions?

Mr Clements—Thank you. Basically, I think the submission we have made is self-explanatory. The Department of Asian Relations, Trade and Industry basically has a watching brief in relation to the changes to the provision of financial services taking place throughout the Northern Territory. The Industry Development Group within the Department of Asian Relations, Trade and Industry seeks to ensure the growth in industry in the Northern Territory and sees the availability of financial services as an integral part of this growth. It is therefore seen as important to the department that the Northern Territory is heard, and it is pleasing to see that the Traditional Credit Union, the Local Government Association of Northern Territory, the Outback Digital Network and the committee are here today to hear details of the different situations found in remote and regional Northern Territory.

CHAIR—As you know, we have had a number of witnesses before us already this morning. In your submission you talk about an extensive agency network and also the fact that some of these agencies have been replaced by EFTPOS. Could you elaborate on what sort of numbers we are talking about here and what the impact of that has been?

Mr Clements—Exact numbers are somewhat difficult. As the Local Government Association and the credit union have indicated, in the past there has been a substantial network of agencies throughout the Territory in a number of remote communities. Investigations beyond the submission have also indicated to me that this been replaced not only by EFTPOS but also by some phone banking situations. My understanding also is that the EFTPOS has been quite readily welcomed by the communities and is operating quite satisfactorily.

I believe that in part this is something which has followed from an exercise that our Power and Water Authority has undertaken in providing a card based situation for accessing power for homes. The individual purchases a card which is then used to obtain power. So I guess the use of a plastic card is not foreign to some of our community based people. It is very pleasing to see that the Traditional Credit Union is moving into some of the locations where the bank agencies have reduced. Unfortunately, I cannot provide you with exact numbers.

CHAIR—Can you expand a bit on this card payment system? Who is actually providing it and how does it work?

Mr Clements—It is our Power and Water Authority, so it is actually for power into the homes. Initially, power was provided on a free basis to communities. When government decided to alter this, it had to work out a method of payment for the power and resolved that there would be a machine provided. You purchase a card that allows a certain amount of power usage for a certain time. Once that runs out, you go and fill it back up again.

CHAIR—So this is in its own small way a bit like a smart card, is it?

Mr Clements—Yes, you could call it that.

CHAIR—Has the Territory thought of expanding that into other areas?

Mr Clements—Not had this stage, no. It is purely used by that authority for power use.

CHAIR—Getting back to this agency thing, the Local Government Association spoke about how they often seem to be the ones carrying most of the workload on that. What services does the Territory government provide through a joint agency arrangement with local government and possibly the Commonwealth, and in what areas?

Mr Clements—In relation to financial services, this has basically been left to the Local Government Association and the banks, the latter on a commercial basis. I would assume from what I have heard today that for the Local Government Association it is on a community assistance basis. The Northern Territory government itself has not provided assistance in the form of financial services that I am aware of.

CHAIR—What about post office agencies: how big is the network there?

Mr Clements—Off the top of my head, I could not answer that.

Mr ALBANESE—You argue that, because, to quote from your submission, ‘the bulk of the Northern Territory’s remote customers receive their income from the Commonwealth,’ the government could use this fact to increase the banks’ cooperation. Would you elaborate on how that could be used?

Mr Clements—It is probably a little bit up in the air how they could really be driven towards encouraging the banks to provide a service. However, the hope would be that there is obviously an income coming from having accounts in certain locations and receiving those funds through the banks’ accounts, even if it be X dollars held overnight. To alter the method by which those funds are provided—for instance, through the Traditional Credit Union rather than through a variety of banks—may further encourage the growth of the Traditional Credit Union if the banks say they are withdrawing from a location.

Mr ALBANESE—I think you were here for the previous submission from the Local Government Association.

Mr Clements—Sure.

Mr ALBANESE—Have you got anecdotal evidence that banks are in fact withdrawing from the Northern Territory at the moment? Have you got any figures on that?

Mr Clements—I do not have any actual number detail, no. I am not aware of any branch closures in the last few years throughout the Territory. However, again, detail that I have received in my research is that the banks have certainly closed their agencies over the past few years. This has been due to the fact that they are not making money out of those agencies.

Mr ALBANESE—Is that the banks making a decision to close the agencies or the operator of the agency saying—

Mr Clements—No, I think the banks deciding to close the operation.

Mr ALBANESE—The banks themselves?

Mr Clements—Yes, predominantly because there are other services available as well—EFTPOS has replaced it, as have telephone banking services.

Mr ANTHONY—In New South Wales, the New South Wales state government set up Creditcare.

CHAIR—Which was with the Commonwealth.

Mr ANTHONY—With the Commonwealth, yes. Also in Queensland they have done things slightly differently, but the bottom line is to try to include local government into cost sharing with the one-stop shop. I was wondering whether there were any plans in the Territory or whether you have been contacted by other organisations like Creditcare to try to provide these services where banks or agencies withdraw? Is any discussion happening there?

Mr Clements—Not that I am aware of, no.

Mr ANTHONY—Do you think there is merit in pursuing that?

Mr Clements—I am not aware of the actual facility. I would certainly like to investigate it further before commenting on it.

Mr ANTHONY—It is something you might want to have a look at. It works quite well in other parts. The other thing in the area of technology and from previous discussions with the regional telecommunications fund is how it will hopefully improve not just communications facilities but banking facilities. Is the NT government playing any role in that area?

Mr Clements—Certainly our department of communications and technology are working in that area. Again, unfortunately, I am not versed to comment in relation to what they are doing. However, they are certainly working with Telstra to ensure that their lines are suitable and that access is of a suitable level.

CHAIR—Mr Clements, are you aware that the committee received a second submission from the Australian Bankers Association talking about a seven-point plan and their proposals on how to handle services and a code of conduct for closing branches when they choose to? Do you have any comments or suggestions to make in relation to that seven-point plan?

Mr Clements—I am aware of the plan, yes. No, I really do not have any additional comment to make on that plan.

CHAIR—I think with a combination of what we have heard already this morning and your evidence we have a fairly good picture of some of the developments that are happening in the Territory. I thank you very much for coming before the committee, for the work you have put into your submission and for answering the questions today.

Mr Clements—Thank you.

[10.54 a.m.]

DUTCHAK, Mr Philip James, Project Manager, Outback Digital Network, GPO Box 1564, Darwin, Northern Territory

CHAIR—I welcome Mr Philip Dutchak from the Outback Digital Network to today's public hearing. May I remind you that the evidence you give at the public hearing is considered to be part of the proceedings of the parliament and that the giving of false or misleading evidence may be considered to be a contempt of the parliament. Are there any materials you would like to table?

Mr Dutchak—I would like to read a statement.

CHAIR—If you would like to make an opening statement, please proceed.

Mr Dutchak—By way of housekeeping, I am defining e-commerce as the exchange of all information required to conduct business transactions via computer based systems. Secondly, I am the previous CEO for the Australian Interactive Multimedia Industry Association, a nationwide industry body for the people who work in the digital domain—meaning on-screen, on-disk and, particular to the inquiry, on-line.

Currently, I am the project manager of the Outback Digital Network, or ODN, a project under the regional telecommunications infrastructure fund from the federal networking the nation program. The ODN's aim is to build a digital network from Broome to Cairns, down through Central Australia and across northern Australia. This is primarily for indigenous folk and based on indigenous community support, awareness and control.

Currently, we are undertaking a needs analysis, an IT audit and community awareness, including cultural awareness to communities. This is being done by indigenous coordinators who have standing in the communities that they visit. Consequently, I would suggest that the ODN is sitting on fairly unique IP, or intellectual property, via its field studies.

Arguably, the ODN project is addressing those Australians for whom Telstra has difficulties establishing services. As a comparison, Telstra has the stated goal by 31 December 1998 of making some form of ISDN available to 96 per cent of Australians within 90 days, or three months, of request. Some of the communities I deal with do not have a phone line. The USO is not in operation here.

Those that do have a service have one that can be unreliable. If a breakdown occurs for technical reasons—and I also suggest that some of these breakdowns occur because of the community's vandalism—waiting times for repair to a service can be indefinite. One has to go to another level of functionality to what is on the ground with &these communities to have the luxury of speaking about coms in terms of ISDN. Obviously Telstra's recent announcement about faster service to the bush, such as waiting times dropping to 12 months, are appreciated and a possible new USO definition, including digital enhanced services apart from telephony, is keenly awaited.

I have begun by talking about coms infrastructure only to make the point that, without a digital roadway, e-commerce loses its viability to the bush, and that is not only for indigenous communities but for

all communities—homesteads, isolated camps and mining communities. The clear message I want to leave with you is that e-commerce is not only for the white fellas, Europeans or the rest of Australia. Some indigenous communities—and, indeed, I am not talking about all indigenous communities, but the list is growing—have pent up demand. They have roadside shops. They are wanting to sell their art. They have small concerns like a shed building business or the need for training, for marketing, to get information and to buy materials.

For indigenous folk, we are not talking about a 50,000 web build using object software tied to an extensive database coupled with security computer firewalls. We are not talking about EDI procurement systems either but, as I think some of the previous speakers have mentioned, we are talking about EFTPOS and web browsers. You should take it as given that the Aboriginals will adapt the digital tools and services that are appearing to their needs. At the other end, government services, both at state and federal levels, could be looking at providing them on-line lodgement of forms, graphical research, resource services, email addresses, user profiling interfaces, business name registration, emergency services, educational resources, training, local government building applications, road conditions and youth and community services.

To be specific, because you folks were going to go over to Broome—unfortunately, you were unable to make it over there—you were going to talk to KimNet, which is another RTIF funded project which the ODN will probably take operational control of. KimNet, as we are now calling it, is for the communities in the West Kimberley region, roughly centred on Broome in Western Australia.

I would like to share with you just very briefly some of the field surveys from some of the communities canvassed in that region to give you an idea of what I am talking about. In a community called Bidyadanga, which is about 170 kilometres south of Broome, we are talking about 25 computers and community run businesses including banking agencies, shops, take-away food outlets and real estate, electrical, plumbing, mechanical and fruit and vegetables businesses. If you go to Looma, which is 120 kilometres outside Derby, we are talking about a workshop, store and small Soho enterprises. That is just to give you a quick grab there.

CHAIR—Thank you, Mr Dutchak. Could you just start by explaining a bit more about yourself and your own organisation? Who is funding it? What are the aims?

Mr Dutchak—The Outback Digital Network was funded under the networking the nation or regional telecommunications infrastructure fund, and the one-third sale of Telstra created the \$250 million fund. That is for projects basically in remote and regional Australia. LGANT's electronic outback network role is funded under the same thing in the Territory.

CHAIR—So you are funded entirely through the RTIF?

Mr Dutchak—Yes.

CHAIR—From the work that you have done, what are the possibilities of using on-line banking services in remote areas?

Mr Dutchak—In the short term, I think, it is the economy of the indigenous folk in the first place, which obviously a few people have talked to you about before. It is more the ability that if electronic commerce—and I am using it in the larger sense of the word—is for providing information that might lead to a transaction then that definitely might be a possibility. There are some communities that are very au fait with using a computer, so that is a real possibility. The other thing to remember is that white fellas or Europeans do live in the communities themselves, so there is some buy-in at both the indigenous level and the European level for web browser based things like that.

CHAIR—But are you doing some work to look at setting up on-line financial services?

Mr Dutchak—We are taking a good look at the needs analysis—definitely.

CHAIR—When would you be in a position to say that you can load a smart card or something like that?

Mr Dutchak—I work at a much more grassroots level. I am going community by community, and I would put probably just a bare bones solution into the community and then try to migrate the people up the ladder. Sorry, I did not really answer the question directly. It would be six months at least.

CHAIR—Have you had dealings with people like the Traditional Credit Union to see what assistance you might be able to give them and their services?

Mr Dutchak—No. The RTIF is a particular interesting situation. There are a number of projects involved in the Territory, and there is a need to liaise with each project to find out who is doing what so that there is no overlap. So I have not really got to that point.

CHAIR—So someone else might be doing this. Is that what you are saying?

Mr Dutchak—Indeed.

Mr ANTHONY—You mentioned on-line banking, which is why you are here before us. How relevant is it for a lot of those indigenous communities?

Mr Dutchak—For some it is very relevant, but it is an uneven picture. In Western Australia there are some communities that are terrifically advanced when it comes to computers—just basic computer skills and having computers that work. But in other communities it is just a complete waste of time.

Mr ANTHONY—Even in those communities that are advanced, do you think there is a real place for electronic banking?

Mr Dutchak—Sure, I know there is.

Mr ANTHONY—What about actually getting cash out at the end of the day?

Mr Dutchak—That is another thing that depends on the economy of the community itself because of the way indigenous folk deal with money.

Mr ANTHONY—That is ultimately the problem, isn't it? You can do all your transactions, but you still have to have a facility to get cash.

Mr Dutchak—Yes. The other thing is their cultural ties and things like that. On the one hand, the administrators of the community definitely could be serviced obviously by on-line banking to the community. That is doable, and for some businesses that is doable. But, on the other hand, whether it is generally for the community I am not sure.

Mr ANTHONY—So it is really a clerk who will be administering the on-line banking. I would go into the general store—

Mr Dutchak—Not necessarily. As I pointed out, there are some indigenous folk who are actually running viable businesses, and they have a real need to be able to do transactions in the buying of the material. But there are other people that you would not trust—you would not put them in that position.

Mr ANTHONY—How many of these communities—it is hard to say but perhaps a percentage—do not have any type of communication? Do they have radio phones?

Mr Dutchak—Basically that is a very hard number to come by. You might have major communities and then you have what they call outstations from those communities which have no communications. At Harts Range, for instance, I think there are five communities which have nothing.

Mr ANTHONY—You mentioned in your submission that in the Tanami network you have video conferencing.

Mr Dutchak—Absolutely.

Mr ANTHONY—And in four outback regions. Is that correct?

Mr Dutchak—That is right.

Mr ANTHONY—Has that worked well?

Mr Dutchak—Absolutely.

Mr ANTHONY—Would you foresee banking happening that way?

Mr Dutchak—Yes. Video conferencing for banking was trialled by Citibank in Sydney, but that is a very high end solution. But, yes, it is possible down the track.

Mr ALBANESE—I am interested in how the network functions. What is the direction of it? Is it you going into communities and telling them, 'We can provide this service', or is it the communities themselves

getting organised and then having some contact with you?

Mr Dutchak—We work through a number of regional organisations.

Mr ALBANESE—Through the land councils or what?

Mr Dutchak—There are four organisations that we work through—the Broome Aboriginal Media Association; TEABA, the Top End Aboriginal Broadcasting Association; Tanami in the centre; and Bulkanu, which is an industry development corporation in the Cape. They personally go into the communities because the whole key is community ownership. I will give you an example. For instance, Telstra's pay phones are vandalised—not all the time, but a few times—and the reason for that is that they are seen as belonging to Telstra, not the community. It is perceived as Telstra's business. Telstra has a problem with that because the community will not protect that investment or that infrastructure.

The idea is to get community ownership and carriage of it so that any infrastructure that is put in there survives. As an example, the Tanami video conferencing units have never been vandalised in the seven years of operation.

Mr ALBANESE—How many people are in your organisation?

Mr Dutchak—In terms of operational people?

Mr ALBANESE—Yes.

Mr Dutchak—There are about 15 at the moment scattered across northern Australia.

Mr ANTHONY—And how many communities are you trying to hook up?

Mr Dutchak—About 100 at the moment—a bit more actually. That is spread across a number of states.

Mr ANTHONY—If you get ongoing funding from RTIF, what sort of hardware are you looking at upgrading? Is this via satellite? Is it via terrestrial—

Mr Dutchak—Mixed mode carriage—landline and satellite.

Mr ANTHONY—What capacity can you carry? What is the bandwidth? What are you aiming for?

Mr Dutchak—Video conferencing needs a minimum of 128K. Basically we are talking about anywhere from 64K up—386. That is another satellite mode delivery type of thing.

Mr ANTHONY—That is realistic, is it?

Mr Dutchak—Absolutely.

Mr ANTHONY—If you are successful, what is the optimum date?

Mr Dutchak—I do not think we are talking about turning on the light tomorrow or anything like that. I have a number of milestones to meet by early October. I have to go back to the RTIF for my next milestone in terms of the funding of the project.

Mr ANTHONY—How many times have you been funded by the RTIF—once or twice?

Mr Dutchak—Once.

Mr ANTHONY—How much did you get in the first round?

Mr Dutchak—\$200,000.

Mr ANTHONY—And you are seeking?

Mr Dutchak—Whatever—as long as a piece of string.

Mr ANTHONY—Have you had any discussion with the Traditional Credit Unions about how you can link up with them?

Mr Dutchak—No, but I have had a lot of discussions. I sort of know the commerce scheme from the big end of town. I have talked to them about a few things, but obviously I need to get more localised.

Mr ANTHONY—We had some submissions this morning from the Traditional Credit Union and heard what they are doing. They are being very adaptive to those very remote communities.

Mr Dutchak—Terrific.

Mr ANTHONY—I notice in other areas where they have Creditcare or in Queensland where they have local authorities and state governments that a whole bunch of people come together to have a one-stop shop. It might be in your interests—and you are probably doing this anyway—to talk with these people because it might even enhance your RTIF application. It would be good for this committee to get banking services into those remote areas.

CHAIR—Mr Dutchak, you said that you have certain goals and time lines and so on, but is this an ongoing thing? What sort of time frame do you see before you would really feel confident that you have at least brought everyone up to a reasonable level of communications?

Mr Dutchak—I think we are talking years here.

Mr ANTHONY—Three? Five?

Mr Dutchak—Three years. Obviously, some communities will get the picture just like that, because

the people in the community know the story anyway. Then there is the matter of bringing other people up to speed on things. If you start with people who have no phone line, simply getting them to use the phone might be a trick in itself. So, if you go in there with all the bells and whistles, people are just going to say, 'What is going on here? I did not ask for this. I do not understand what is happening here.' It would need to be a migration path. Some communities have ISDN, have fibre optic cable to them, so we can talk about delivery tomorrow—but not with other people.

Mr ANTHONY—Will the USO meet all the costs?

Mr Dutchak—No.

Mr ANTHONY—How much more is it going to cost in these remote communities?

Mr Dutchak—First of all, the USO is for a basic phone service. It is redefined. I think Telstra has talked about it as 'access to a phone', but I think ATUG has said that it means 'a phone in every home'. I think that is what is happening at the moment. But some of these services need better, they need a 64K line that can support some digital data. BRACs, which is a delivery mechanism up here, will not do that very well.

Mr ANTHONY—The point is: even if you are successful and you get all these on-line facilities, 64K or whatever, it is going to cost an arm and a leg to use them.

Mr Dutchak—Not necessarily.

CHAIR—A lot of areas in other parts of Australia have not got 64K access either.

Mr Dutchak—A basic phone line is 64K.

CHAIR—No, a lot of them do not have it. Who is actually going to do the training in the communities? It is one thing to talk about getting access to this service, but who is actually going to do the training in communities so they can actually use it?

Mr Dutchak—Probably the ODN.

CHAIR—You are doing that as well?

Mr Dutchak—Yes.

CHAIR—What about the hardware? Who is going to provide that?

Mr Dutchak—I think we would talk to commercial vendors about that.

CHAIR—So you have got a fairly clear definition of your role and of the role of others?

Mr Dutchak—Absolutely. The Outback Digital Network could not be a carrier in the same way that Telstra and Optus could be. Indeed, we need to talk to the vendors and suppliers here and say, ‘This is what we are coming to the table with. How does that fit in with your plans?’ The idea is: if there is limited population up here and limited resources, then it is best to understand that and to throw in with everybody to try to get the best outcome, the best bang for your buck.

CHAIR—How much interest is there, other than from Telstra? You mentioned Optus—is there much interest?

Mr Dutchak—Yes.

CHAIR—In what part? In all aspects? In what aspects?

Mr Dutchak—I would prefer to answer that in camera.

CHAIR—Okay. I don’t know if we will go that far because we are here to talk about banking. We certainly appreciate you coming along today, your input and your submission. I have no doubt that it will be of considerable assistance to the committee in the work we are doing. I wish you luck with what you are doing. It sounds like a very important and very exciting project.

Resolved (on motion by **Mr Anthony**, seconded by **Mr Albanese**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 11.14 a.m.