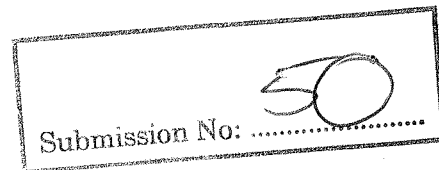




**Australian Government**  
**Indigenous Business Australia**



18 July 2008

The Hon. Sharon Grierson MP  
Chair - Joint Committee of Public Accounts and Audit  
PO Box 6021  
Parliament House  
Canberra ACT 2600

Dear Ms Grierson

Thankyou for the opportunity and the extension of time in which to provide a submission to the inquiry by the Joint Committee of Public Accounts and Audit into the effect of the ongoing efficiency dividend on smaller public sector agencies.

As you may be aware, Indigenous Business Australia (IBA) is a small Commonwealth Statutory Authority within the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). Its vision is for a nation in which the First Australians are economically independent and an integral part of the economy. IBA supports Indigenous economic participation through three main programs in small business loans and support, home lending and investment activities.

IBA has an operational budget of \$107.5 million and around 220 staff in 20 offices across Australia. It receives some annual Government departmental expense appropriations (approximately \$37.9 million in 2008-09), but is largely a commercially focused and self-funded organisation that supports the majority of its administrative expenses through commercial activities.

In terms of our response to the Inquiry, I would like to provide the following comments:

1. Like the private sector, IBA's performance is industry benchmarked and departmental costs are closely aligned with activities. Organisational efficiencies or cost savings are generally only achievable through prudent expenditure management;
2. As a result of the strict commercial efficiency disciplines that already apply to its operations, IBA has considerably less capacity for broad agency-wide cost savings or efficiency gains than larger non-commercial Government agencies;
3. IBA provides face to face loan and business support to Indigenous Australians across Australia and there is a high cost of maintaining a national presence;
4. IBA's significant departmental expenditure items are consultancies and employee costs. Expenditure on consultancies largely funds business support (financial and legal advice, accountants and so on) to loan clients which is fundamental to keeping loan defaults at low levels;



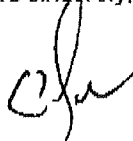
5th Floor Bonner House West, Neptune St, Woden ACT 2606 | PO Box 38 Woden ACT 2606  
Phone (02) 6121 2700 | Fax (02) 6121 2730 | www.iba.gov.au | ABN: 25 192 932 833

5. Accordingly, the long term imposition of an ongoing efficiency requirement would disproportionately affect employee costs, result in staff losses and undermine the deliverability of IBA's small and necessarily staff and service intensive programs that are designed to build the financial capacity and economic independence of Indigenous Australians;
6. Owing to the dependence of IBA service expansion on commercially generated income streams, an ongoing efficiency dividend is likely to divert capital funds from program funding to program expenses, which would diminish our ability to meet growing client demand;
7. As a small agency, IBA is also considerably less likely to benefit from new policy proposals, which tend to provide only limited scope for administrative cost coverage;
8. The nature of IBA's client base does not tend to support the use of user charges or general cost recovery mechanisms; and
9. An ongoing efficiency dividend would affect innovation and research activities that are presently not Budget funded, if IBA were forced to suspend these activities in order to maintain core functions.

While IBA appreciates that the application of the efficiency dividend has its place as a mechanism for achieving savings across government, it believes that an ongoing efficiency dividend should not be applied in a 'one-size-fits-all' manner that fails to recognise the scale and operational differences among agencies. On this basis, IBA is of the view that it should be exempt from the imposition of an ongoing efficiency dividend.

Please do not hesitate to contact Graeme Boulton, Assistant General Manager – Policy and Partnerships on 02-6121 2612 if you have any questions or wish to further discuss the details of our submission.

Yours sincerely,



**Craig Dalzell**  
Deputy General Manager - Commercial