

# CHAPTER 16

## THE CULTURAL ENVIRONMENT

### ‘Money Dreaming’

16.1 The magnitude of the problem in delivering banking and financial services to Indigenous people in remote Australia goes deeper than the lack of formal education and has its roots in the cultural gulf between the people and the mainstream business world.<sup>1</sup> Mr Barry Smith, Assistant Secretary, Department of Family and Community Services, quoted an elder from Daguragu who explained that their stories, traditions and pattern of behaviour do not have a ‘money dreaming’. He said: ‘You white people actually do have a money dreaming. You have the whole history of managing and using money.’

16.2 Mr Smith noted that understanding money matters is something that is growing among Indigenous people but ‘we have to find ways to grow it both culturally and substantially for those people’.<sup>2</sup> As underlined by Ms McDonnell:

Indigenous consumers of banking services have specific needs and they are simply not met by the basic banking model at the moment that privileges a set of norms that Indigenous people just are not involved in.<sup>3</sup>

16.3 For example, there are cultural forces that must be recognised when considering measures to assist Indigenous Australians manage their financial affairs. Professor Altman drew attention to the tendency of social networks to place ‘enormous demands’ on individuals to share cash.<sup>4</sup> Mr Smith made a similar reference to the pressures on people to provide for extended families which he called ‘demand sharing’. He told the Committee:

If you are trying to deal with somebody who is wanting demand sharing and they want to use that money for alcohol or gambling or some other use, then converting it into another product or another transactable note or whatever can help you manage that demand sharing. You are quite happy for demand sharing if it is around food but you do not have to give cash which then could be used for other products. That has been useful. Not everybody has used it but for some people it has been useful. The term is ‘humbugging’ but it is tied up with the demand sharing. Older people find it much more

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1 Professor Jon Altman, *Committee Hansard*, 14 November 2002, p. 83.

2 *Committee Hansard*, 12 November 2002, p. 36.

3 *Committee Hansard*, 14 November 1992, p. 102.

4 *Committee Hansard*, 14 November 2002, p. 84.

difficult to say no. Younger people probably find it easier to say no because they are probably a little bit distanced from that cultural requirement.<sup>5</sup>

16.4 People working with the Tangentyere Council in Alice Springs also commented on the broader obligations that Aboriginal people have toward a wider range of people—‘they feel obligated to take all the money and share it’.<sup>6</sup> Mr Acfield, Tangentyere Council, stated that their money, ‘in a sense, is a resource that can be utilised communally’.<sup>7</sup>

16.5 The Cape York Community Financial Project Ltd informed the Committee that the cultural rules of its communities include ‘an underpinning reciprocity and demand sharing amongst the community members and the kinship, ties and social alliances which extend beyond families and households’. It submitted:

The banks are seen as cash outlets not as saving facilities and there is a low cultural emphasis on savings.<sup>8</sup>

16.6 Another example which highlights the special needs of some Indigenous people living in remote areas revolves around the problem often referred to as the ‘feast or famine’ or ‘boom and bust’ cycle. This cycle involves ‘people spending their welfare payment soon after receiving it, and being left without money until their next payment’.<sup>9</sup>

## **Delivering culturally appropriate services**

16.7 Reconciliation Australia asserted that real improvements in Indigenous access to banking and financial services in rural and remote areas ‘can only be made by developing mutually beneficial cooperation between Indigenous communities, the financial services sector and governments’.<sup>10</sup>

16.8 The following section looks at three groups that are currently helping people meet the challenge of delivering banking and financial services to Indigenous Australians—the Tangentyere Council, the Traditional Credit Union (TCU) and the Cape York Community Financial Project. They have been described as ‘best practice models in the delivery of banking and financial services to Indigenous people in remote areas’.<sup>11</sup>

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5 Mr Barry Smith, *Committee Hansard*, 12 November 2002, p. 37.

6 Tracie Nightingale, *Committee Hansard*, 22 July 2003, p. 584.

7 *Committee Hansard*, 22 July 2003, p. 583.

8 *Submission 47*, pp 3–4.

9 *Talkin’ Money Business*, Proceeds of the Workshop on ‘Improving Banking and Financial Services for Indigenous Australians’, Sydney, May 2002, p. 7.

10 *Submission 120*, Executive Summary.

11 *Talkin’ Money Business*, Proceeds of the Workshop on ‘Improving Banking and Financial Services for Indigenous Australians’, Sydney, May 2002, p. 6.

## The Tangentyere Council

16.9 The Tangentyere Council is an Aboriginal run council which provides services to Indigenous people living in town camps in Alice Springs. It has been providing financial services to town campers for over 15 years through a Westpac agency located on its premises.<sup>12</sup>

16.10 This bank agency delivers ‘culturally appropriate face-to-face banking and financial services by Aboriginal staff in Aboriginal languages’.<sup>13</sup> In addition to cashing cheques, it allows customers to pay off debts to the Council for low-value items such as blankets and tucker boxes.<sup>14</sup> The agency also offers literacy training and specialised Aboriginal banking products, such as clan accounts and food vouchers.<sup>15</sup> It assists Indigenous people combat the feast and famine cycle by offering a food voucher system whereby people can place an amount of their welfare payment into an account which is then used for food.<sup>16</sup> Mr William Tilmouth, CEO of the Council, explained:

Clients electing to use the system can get a food voucher every second day after pension day. The vouchers range in value from \$40 to \$100 depending upon the number of people being fed in the family and the value of the client’s Centelink payment.

People can use their vouchers at a local supermarket that they can travel to free of charge on one of two Tangentyere Council buses that run throughout the day between the Town Camps, Tangentyere Council, the supermarket and, when needed, the hospital.<sup>17</sup>

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- 12 William Tilmouth, Tangentyere Bank Pilot Project—a possible best practice model in the delivery of banking and financial services to Indigenous people, p. 1. Neil Westbury, ‘Feast, Famine or Fraud’, Address given at ‘Indigenous Issues in Remote and Regional Australia: A national Workshop’, 22–23 April 2002, p. 3. It should be noted that all the major banks are represented in Alice Springs through bank branches or agencies. Neil Westbury pointed out, however, that: ‘The barriers in Alice Springs primarily relate to Indigenous people’s confidence and capacity to access mainstream services and master new technology, and the flexibility of the banks to respond in addressing these issues’.
- 13 *Talkin’ Money Business*, Proceeds of the Workshop on ‘Improving Banking and Financial Services for Indigenous Australians’, Sydney, May 2002, p. 6.
- 14 William Tilmouth, Tangentyere Bank Pilot Project—a possible best practice model in the delivery of banking and financial services to Indigenous people, p. 2.
- 15 *Talkin’ Money Business*, Proceeds of the Workshop on ‘Improving Banking and Financial Services for Indigenous Australians’, Sydney, May 2002, p. 7.
- 16 *Talkin’ Money Business*, Proceeds of the Workshop on ‘Improving Banking and Financial Services for Indigenous Australians’, Sydney, May 2002, p. 7.
- 17 William Tilmouth, Tangentyere Bank Pilot Project—a possible best practice model in the delivery of banking and financial services to Indigenous people, p. 2.

Because the supermarket enforces a ‘no-grog’ rule on the use of food vouchers, the system also helps families cope with alcoholism. Holding a food voucher instead of cash provides clients with some protection from pestering from drunk family members and, in some instances, Tangentyere Council has allowed the sober adult of the family to draw food vouchers on the alcoholic’s account with their sober consent. This helps to keep children fed and helps alcoholics fulfil their obligations to their family.<sup>18</sup>

16.11 The effectiveness of this scheme appeared to be under threat with the transfer from cheque payments to electronic payment. According to Mr Tilmouth, the problem was solved when the Department of Family and Community Services and Centrelink helped Tangentyere Council develop a new food voucher system using the Centrepay deduction facility.<sup>19</sup>

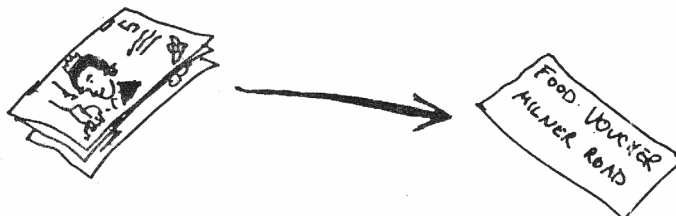
16.12 The accompanying illustrations produced by the Tangentyere Council show the steps taken by the staff to assist their members not only with basic banking services but with budgeting and managing some of the cultural pressures such as ‘humberging’.



You might not want to have  
too much cash on you

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- 18 William Tilmouth, Tangentyere Bank Pilot Project—a possible best practice model in the delivery of banking and financial services to Indigenous people, p. 2.
- 19 William Tilmouth, Tangentyere Bank Pilot Project—a possible best practice model in the delivery of banking and financial services to Indigenous people, p. 3. He explained, ‘Under the new system, clients elect to have a portion of their entitlement paid by Centrelink into a trust account operated by Tangentyere Council. When they want a food voucher, a cheque made payable to the local supermarket is drawn from the trust account. Thus under the new system people are using their own money to buy food vouchers rather than going into debt’.

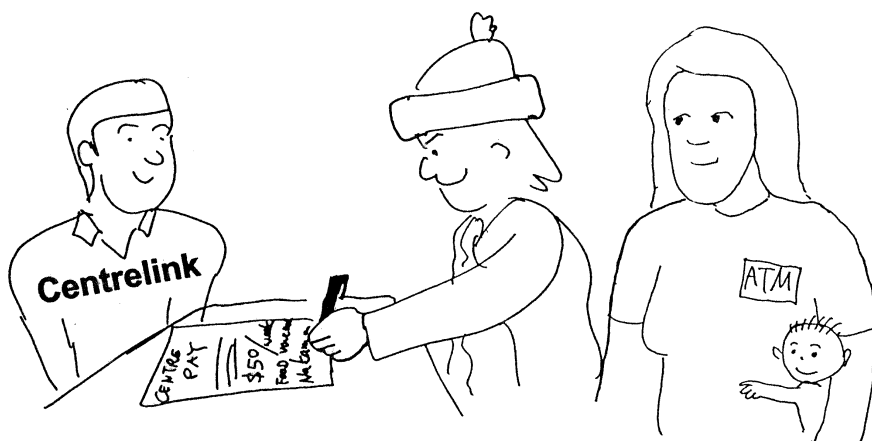
Do you want to use  
**Centrepay?**



Centrepay can help you buy  
Tangentyere Food Vouchers with  
your Centrelink money



Money for food vouchers gets  
taken out of your pay by  
Centrelink before you get it



If you want, one of the Bank Helpers will go with you and make sure everyone understands everyone.



The Bank Helper is not allowed to say anything about your arrangements to anyone.



You can also get Centrelink to take out money for rent and other bills before you get your pay





16.13 As noted earlier one of the main problems with electronic banking was people losing their key card. The bank agency has been able to rectify this problem by holding their customers' cards for them.

16.14 Again, education and training is central to the effective use of banking services. The agency in collaboration with the Department of Family and Community Services, Westpac and ATSIC undertook a bank pilot project which addressed this matter. The bank liaison officers operated out of an air-conditioned demountable building, called the Bank Training Room, in which clients could watch a video in Aboriginal language explaining the benefits of keycards, and receive training while their forms were being processed. According to Mr Tilmouth, 'Initially, the flow of clients from the bank agency to the Bank Training Room...was slow. However, this problem was overcome by giving clients a brightly coloured "ticket" to the Bank Training Room'.<sup>20</sup>

16.15 Mr McDonald stressed that the education program did not go beyond providing people with the skills and training to perform basic banking transactions. He told the Committee that they did not reach a stage where they were 'providing people directly with budgeting skills, such as numeracy skills, so that they could sit down with a calculator and rejig their own budget every fortnight. That level of training has not been started'.<sup>21</sup>

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20 William Tilmouth, *Tangentyere Bank Pilot Project—a possible best practice model in the delivery of banking and financial services to Indigenous people*, p. 4.

21 *Committee Hansard*, 22 July 2003, p. 578.



16.16 The project with the help of Centrelink has also enabled recipients of welfare benefits to better manage their welfare payments. Mr Tilmouth explained:

Having a Centrelink office on Tangentyere Council's premises has made opening bank accounts and signing up people for Centrepay deductions relatively easy. Centrelink staff are able to provide our clients with letters of introduction for the opening of bank accounts and payment details so that the bank liaison officers can help them through a static budgeting process to decide if and to what extent they want to sign up for food vouchers. The bank liaison officers, however, do not provide clients with training in numerical and budgeting skills.<sup>22</sup>

16.17 While the Tangentyere Council provides a valuable service, it is running at a loss. Mr Westbury explained:

...because of the level of servicing and support that is required for people coming in from the communities, and the whole issue of cards and all those things you have heard from other evidence before you, the actual costs for Tangentyere to maintain that service are well over what they get back through fees from the bank or what they raise through their clients.<sup>23</sup>

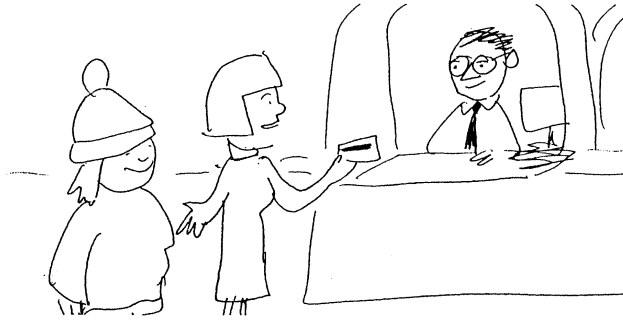
16.18 The Tangentyere Council, however, is prepared to subsidise the operation of the bank agency because of the vital need to provide Aboriginal people in the region with 'culturally appropriate services in a welcoming environment'.<sup>24</sup> The following illustrations produced by the Tangentyere Council show the involvement of agency staff in helping local Indigenous Australians understand how modern technology can be used to their advantage. It also highlights the labour intensive component of their work.



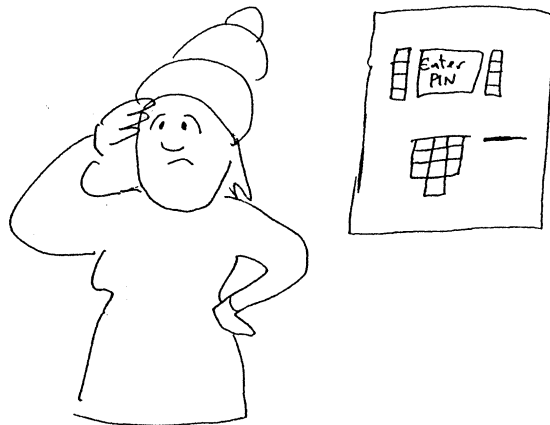
## Using a Handycard including what to do if you lose one

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- 22 William Tilmouth, Tangentyere Bank Pilot Project—a possible best practice model in the delivery of banking and financial services to Indigenous people, p. 4.
- 23 *Committee Hansard*, 21 July 2003, p. 543.
- 24 Patrick McDonald, *Committee Hansard*, 22 July 2003, p. 575.



You can make up your own PIN number. A Tangentyere Bank Helper will take you to Westpac to change it to whatever you chose.



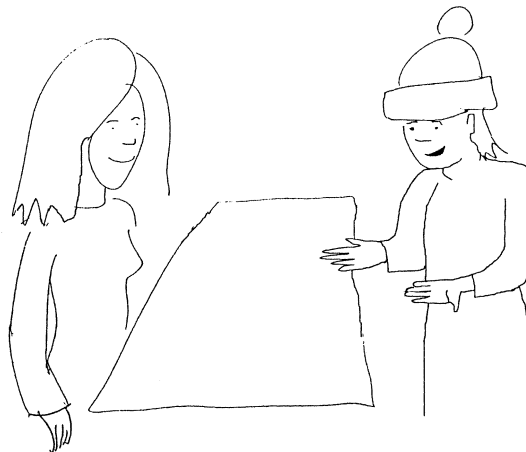
What if I forget my PIN number?



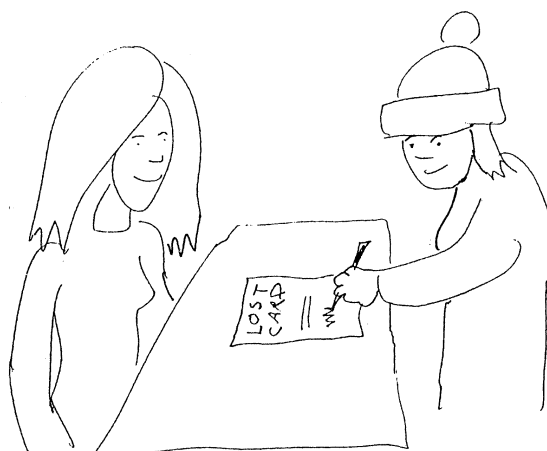
The Tangentyere Bank Helper will  
take you to Westpac to get a new  
PIN number.



What if you lose your card?



As soon as you can, tell them at Tangentyere Bank or any Westpac bank



They will cancel your old card so no-one can use it and order you a new one

## The Traditional Credit Union

16.19 The Traditional Credit Union (TCU) has developed another model that addresses some of the problems associated with delivering financial services to Indigenous people living in remote areas of Australia. It is an Aboriginal run credit union operating in the Northern Territory. It was incorporated in December 1994, has a head office in Darwin with eleven remote branches and two agencies. According to the Assistant General Manager of the TCU, Ms Bev McMillan:

When TCU began operation it was seen to be a way for members to put money away for later and to [provide] protection from family pressure. Today TCU is far more than this, offering up to date services:

- Savings, budget and Christmas Club accounts;
- Cuecards that can be used in all EFT-POS and most ATM machines Australia wide and some overseas machines;
- Family or Clan accounts to be used for joint saving;
- Business Accounts;
- Cheque accounts;
- Internet Banking;
- Bpay;
- Personal loans up to \$10,000, initial loan maximum is \$5,000 with some members on their second or third loan having paid off previous loans;

In partnership with ATSIC, TCU offer a Small Business Loans Scheme with loans up to \$15,000.<sup>25</sup>

16.20 It has been effective in assisting communities combat the feast and famine cycle prevalent in some families. According to a report:

...anecdotal evidence indicates that since the TCU began operating, people are more likely to spend their money over a full fortnight and are more able to save...that many TCU members utilise budget accounts, saving money over a period of time and purchasing white goods, furniture, small motor vehicles and boats, or using it to go on holiday. Such evidence belies the myth that Indigenous people, and particularly those on very low incomes, cannot save.<sup>26</sup>

16.21 Mr David Shoobridge from the Daly River Community provided another example of where the TCU encourages their customers to bank wisely. He stated:

You cannot walk in with a deposit and get a loan within the next day or couple of days. You have got to take three months to build up your credit and to deposit the amount of money you need as a deposit over the three months. In many ways, that is like an education program. It teaches people to save, and it teaches them that they have a responsibility to pay regularly.<sup>27</sup>

16.22 The TCU is committed to training local staff and provides the required level of training that has enabled the credit union to use local staff to operate its branches. It employs Indigenous people to work in and manage its remote branches and offers them the opportunity for promotion. At the moment, the TCU has two remote Indigenous branch supervisors who have served 5 years.<sup>28</sup> Ms McMillan attributes the success of the TCU to:

- the initiative of Aboriginal elders who saw it as something they needed and who were determined for it to become a reality;
- the commitment to providing real jobs to Aboriginal people in their own community;
- the training of staff to perform their duties with pride and self-confidence;
- the membership structure where members are equal shareholders and own the institution;
- the directors and senior management who work together to create a high standard and work ethic; and

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25 Bev McMillan, *Traditional Credit Union—Access to Financial Services*.

26 *Talkin' Money Business*, Proceeds of the Workshop on 'Improving Banking and Financial Services for Indigenous Australians', Sydney, May 2002, p. 7.

27 *Committee Hansard*, 21 July 2003, p. 559.

28 *Supplementary Submission 58B*.

- TCU's understanding of Aboriginal culture and its ability to work without compromising the regulatory obligations of a financial institution.<sup>29</sup>

16.23 Ms McMillan's remarks are borne out by the comments of Mr Djerringal Gaykamanu, a director and founding member of the TCU. He indicated that the TCU's importance to Indigenous communities went further than just providing much-needed banking and financial services. He stated:

I started in the sixties to work with the people, bit by bit, for community development and I am still working. I am the eldest at Milingimbi. I look after the community and I look after the TCU. I know the background story of the TCU—where it started, where it has come from and what it is like now. The TCU is a very big name and it has become really good. Everybody is happy that we started small and have grown big. That is very important for our training, for business and for saving money. We can show our kids down there why we started it up.<sup>30</sup>

16.24 In the view of the Northern Territory Government, the TCU has demonstrated 'a culturally effective strategy to deliver banking and financial services to isolated indigenous communities.'<sup>31</sup> It stated further:

The TCU's approach lends itself to be adopted as a model for other remote areas with a significant Indigenous and welfare dependent sector.<sup>32</sup>

16.25 The Department of Family and Community Services also acknowledged the contribution that the TCU is making to provide banking services to remote communities. Likewise, Reconciliation Australia praised the work of the TCU maintaining that it provides a possible 'best practice' model for the delivery of banking and financial services.<sup>33</sup>

### ***Limitations on expanding services***

16.26 The TCU, however, faces the same difficulties as those experienced by smaller ADIs in country areas, including limited capital reserves and a regulatory regime that places limits on their ability to expand services and establish new sites. As with other smaller ADIs, the TCU's low level of reserves, its conservative risk management plan and its reluctance to charge excessive fees to cover costs hamper its expansion. The TCU, while accepting that regulation is necessary, highlighted the difficulties that such a regime places on smaller ADIs. Ms Barbara Bradshaw, former General Manager of the TCU, maintained that meeting the regulatory requirements is a major issue for the TCU:

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29 Bev McMillan, TCU, *Traditional Credit Union—Access to Financial Services*, pp. [3]–[4].

30 *Committee Hansard*, 21 July 2003, p. 525.

31 *Submission 128*, pp. 6–7.

32 *Submission 128*, p. 7.

33 Barry Smith, *Committee Hansard*, 12 November 2002, p. 35.

This not only increase[s] costs, but it can be a difficult and time-consuming matter, particularly when a lot of the requirements were devised for much larger organisations operating in an urban environment. A lot of effort has gone into these compliance issues, but it somehow seems that after one challenge had been dealt with, a greater one arrives.<sup>34</sup>

### ***The regulatory regime and compliance costs***

16.27 To comply with the regulations under the FSRA, the TCU had to change from providing customers with basic information that was easy to read and understand to producing a two-page product disclosure statement on every product. According to the TCU, every time it signs on a new member it has to give them ‘an inch thick of paperwork with all the regulatory requirements of using its services and the products, their rights of reply, the Privacy Act, code of conduct, and terms and conditions of use’. This is but one example of the range of compliance costs the TCU incurs in satisfying the regulatory requirements of the FSRA.

16.28 Furthermore, the experiences of the TCU highlight the importance of having a regulatory regime that has the flexibility to take account of the interests of all consumers. In this case, the Indigenous people living in remote communities whose needs are not necessarily met by the current disclosure requirements. The primary concern of the TCU is to deliver a service in a culturally appropriate way that will equip their Indigenous customers with the skills needed to conduct basic banking transactions and to manage a fortnightly personal budget.

16.29 As detailed above the costs in delivering banking and financial services to remote communities are significant and are ultimately borne by the customer. The TCU acknowledged that despite its efforts to contain costs, it has a high fee level and level of interest rates for loans. It told the Committee:

The fees charged represent our costs of operation in a challenging environment. This point is made to our members and I believe that whilst many do not like the higher fees they realise that they represent the costs of operating in remote communities. They also appreciate having the Traditional Credit Union there.<sup>35</sup>

16.30 The problems faced by credit unions in complying with regulations was covered in chapter 8. The Committee found that the current regulatory regime frustrates the attempts of smaller ADIs to establish a presence in remote Australia. It recommended that APRA and ASIC consult with CUSCAL and with smaller ADIs about the limitations placed on them by the regulatory regime in meeting the banking needs of Australians living in rural, regional and remote communities. The Committee

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34 Barbara Bradshaw, General Manager of the TCU and Camille Damaso, Director, TCU, *Traditional Credit Union Limited: A case study highlighting innovative approaches to the delivery of banking and financial services in Australia*, p. 7.

35 *Submission 58A*, p. 1.



recommended that particular focus be placed on ADIs working with Indigenous communities in the remote areas of Australia.

16.31 The work of the Tangentyere Council and the TCU, underlines the importance of the Committee's recommendation particularly in having the review look at the specific circumstances of ADIs providing services in remote Indigenous communities. The Committee believes that consideration must be given to find better and more effective ways to minimise compliance costs while promoting the interests of Indigenous consumers. Clearly, Indigenous people with poor literacy and numeracy skills are unlikely to benefit from information presented in complex and lengthy documents. The illustrations prepared by the Tangentyere Council show the need for flexibility and sensitivity in meeting the needs of the Indigenous consumer.

### ***Competition with the traditional banks***

16.32 The TCU also shares the same problem as other non-bank ADIs in competing with well known traditional banks with their long-established reputations and their large client base. In this case rather than 'cherry pick' valued customers there is a tendency for the banks to discourage less valued ones. The TCU explained that:

The four major banks openly encourage their Indigenous clients to transfer their accounts to the TCU, as they are costly clients and a nuisance factor in their banks.<sup>36</sup>

16.33 The TCU suggested that the big banks could compensate it for 'taking over these high-overhead clients'. Not only does the TCU look after these customers, but it takes responsibility for educating and training them in the use of banking services even though they are not necessarily TCU customers.

### **The Cape York Community**

16.34 Before leaving the discussion on the work of individual communities or organisations, the Committee draws attention to the work being done on Cape York. The Cape York Community Financial Project Ltd formed as part of the Aurukun Shire Council intends to establish a credit union for Aboriginal people in Cape York to be known as the Cape York Community Credit Union Ltd.

16.35 It is hoped that the ownership of and involvement in the local credit union will encourage community members to save for the benefit of the whole community. The Cape York Community Financial Project Ltd stated simply that the whole concept behind the credit union is to facilitate the development of a real Aboriginal community economy for the benefit of all the local communities. The Australian

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36 *Committee Hansard*, 21 July 2003, p. 524.

Government has recently allocated \$90,000 to help the community develop a business plan for the credit union.<sup>37</sup>

16.36 Westpac is involved in trials in three communities in Cape York with the 'Family Income Management' Project. The program is aimed at increasing the purchasing power of families in Cape York by teaching and assisting them to save for a special purpose by putting aside a proportion of their income on a regular basis. A Cape York Project Manager with Westpac has no doubt that the project can be a success:

When we came back in April of last year with a second group of secondees, the FIM project was still quite not established but almost and Hersey and Kenlock [keen local participants in the Project] were continually shuttling in families. I think it was about 25 families in the first day and they all engaged with Family Income Management. There are little things that you see every day like the number of washing machines under houses and the ramifications of a simple thing like a washing machine that we take for granted like health implications are enormous.<sup>38</sup>

16.37 On 6 August 2003, the Prime Minister announced that the Australian Government would commit a further \$1.5 million to allow the expansion of the trials.

16.38 The Cape York Community Financial Project maintained that the introduction of a credit union to the communities of Cape York, along with the Family Income Management Plan, 'will go a long way towards assisting the communities in building their own economy and assisting the indigenous people to move beyond passive welfare and towards financial and economic independence'.<sup>39</sup>

16.39 Westpac has also embarked on a three-year project to encourage local business by committing 150 members of its workforce to come into the community and work with local groups to start up various enterprises.<sup>40</sup>

## Summary

16.40 A number of themes emerge from the work being undertaken by the Tangentyere Council, the TCU, the Cape York Community Financial Project and Westpac in remote communities. The first is the need for long term and genuine commitment by partners to the project. Ms Tania Major from the Cape York region stressed that continuity in assistance was most important in winning the confidence of local people. The communities wanted more than just words and one-off projects. She

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37 Media Release, Prime Minister, 'Family Income Management Projects for Indigenous Communities', 6 August 2003.

38 Transcript, 'Indigenous Community Finances', 'Business Sunday', 15 September 2003.

39 *Submission 47*, p.163.

40 Transcript, 'Indigenous Community Finances' 'Business Sunday', 15 September 2003

stated that there needs to be a commitment on behalf of those coming into the communities to help:

Continuity—they coming back to the community and seeing they are genuine about what they are saying and the fact that they are constantly in the community and helping seeing something evolve from all this word.<sup>41</sup>

16.41 The second theme concerns community involvement. Mr Gaykamanu, one of the founding members of the Traditional Credit Union, stressed the importance for the local people to own and support the project. He told the Committee:

The little credit union is just like your home: you live there. That is why I said the credit union needs a home at Milingimbi for these people. This Traditional Credit Union is not going to be going somewhere else, either. I went down to the Daly River and talked to their people. I said, ‘Where are we going to put the TCU, and who is going to own it?’ I looked around—owned by somebody that was going to be living there. We are come-and-go people; we move around a lot, and this is why I said it. If we leave it there, who is going to look after it?<sup>42</sup>

16.42 The third theme is the need for funding and support from both governments and the private sector to assist Indigenous communities gain their economic independence.

## Committee view

16.43 The Committee commends the work of the Tangentyere Council, the TCU, the Cape York Community Financial Project and Westpac in assisting people in remote Indigenous communities to better manage their financial affairs. Such partnerships are fundamental to the success of education and training programs and should have the strong support of the Australian Government.

16.44 While acknowledging the achievements of the various pilot programs and trials taking place, the Committee takes particular note of the views of local people that continuity and commitment are crucial if the effects are to be lasting. The Committee strongly supports continued funding for such projects.

## Recommendation 27

**The Committee recommends that the Australian Government continue funding projects such as the Family Income Management Plan. It, however, recommends that the Australian Government, relevant State and local governments and the banking industry work with Indigenous communities to map out a plan that would use the successes already achieved in trials as a platform on which to build a more coherent and integrated policy for the economic independence of**

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41 Transcript, ‘Indigenous Community Finances’, ‘Business Sunday’, 15 September 2003.

42 *Committee Hansard*, 21 July 2003, p. 526.

**Indigenous people. The work done by the Tangentyere Council, the TCU and the Cape York Community should be stepping stones leading to even greater and lasting success in advancing the economic welfare and independence of Indigenous Australians.**

16.45 The Committee acknowledges the involvement of Westpac in the various projects and encourages it to continue its work. At the same time, the Committee notes the absence of the other major financial institutions from any significant engagement in Indigenous communities and would like to see them follow Westpac's example.

16.46 In its supplementary submission, the ABA outlined a proposal that is in keeping with the Committee's recommendation for both the public and private sector to become partners in assisting remote communities with their banking and financial services needs. The ABA commissioned a study of access to banking services which is discussed in chapter 6. The resultant survey identified 32 towns across Australia that did not have adequate face-to-face banking services. They tend to be located in very remote regions of Australia and have a higher proportion of Indigenous people living in the community.

16.47 Having identified the areas most in need of assistance, the ABA proposes to move onto the next stage by leading a tri-partite Round Table ('Remote Services Round Table') including relevant government agencies together with Reconciliation Australia 'to draw action plans to improve access'. It stated:

Banks are committed to improving access, and we need cooperation of the bureaucracy and indigenous leaders before resources can be allocated.<sup>43</sup>

16.48 The Committee endorses this initiative but would like to see any such project move beyond the stage of talking to one of active and sustained involvement by the banking industry in improving access to financial and banking services. The banks can best demonstrate their commitment by establishing, with the help of local communities, a presence in these communities.

16.49 The Committee now turns to examine the operation of the RTC program in remote Australia.

### **Rural Transaction Centres in remote Indigenous communities**

16.50 RTCs also offer the opportunity to expand banking and financial services in remote areas of Australia. To date, however, progress has been very slow with only four operational RTCs in the Territory. They are at Oenpelli, Mataranka, Numbulwar and Maningrida. There is one under development at Wadeye (Port Keats). All except Mataranka are Indigenous RTCs and include the Traditional Credit Union, Centrelink

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43 *Supplementary submission 117*, pp. 1–2.

and a range of community services. Mataranka has a Post Office with giroPost, Centrelink and other services.<sup>44</sup>

16.51 The main difficulties with establishing an RTC in remote Australia are the same as those experienced in rural and regional Australia but the hurdles tend to be higher. Many isolated communities are unable to generate the required critical scale of business activity to be commercially viable. The experiences of the TCU testify to the particular difficulties that remote communities have in building a creditable business case which has to take account of the heavy expenses involved in providing services to outlying areas.

16.52 Reconciliation Australia observed that for many small Indigenous communities, economies of scale dictate that only if they collaborate through joint ventures with other communities will they 'be able to demonstrate the self-sustainability required by the RTC Program guidelines'.

16.53 But the scope and ambition of the RTC program make it difficult to accommodate the particular challenges posed by Indigenous communities. Mr Westbury suggested that more thought 'needs to be given to designing the program around the realities associated with these communities'. He stated:

They may require different and more flexible approaches to the ways in which applications are assessed and encouraged. By that I mean that there may be ways by which the fund might encourage Aboriginal communities to group together to make applications. Clearly, in terms of economies of scale, in some cases it is just not practical or realistic to expect that a credit union operation is going to be viable in each individual major community.<sup>45</sup>

16.54 The Tangentyere Council poses a different problem in meeting the funding guidelines of the RTC program. It deals with groups of Indigenous people who live within a large community but who are in effect 'very isolated from that community'. Mr Acfield, Tangentyere Council, explained:

The urban-remote divide becomes a bit blurred in Alice Springs. That has been an issue for us and it is part of the reason we have gone for the hub notion. We can effectively use remote communities' access to RTC funding to then pull together a hub in Alice Springs, rather than go for funding which might go the other way—in other words, to set up a program which

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44 Additional information supplied by the Department of Transport and Regional Services, 3 September 2003.

45 *Committee Hansard*, 21 July 2003, p. 543. See also comments in N. Westbury, 'Feast, Famine or Fraud', Address given at 'Indigenous Consumer Issues in Remote and Regional Australia: A National Workshop, 22–23 April 2002, p. 7. The Gulin Gulin & Weemol Community Council Aboriginal Corporation maintained that the only practical solution is for people to have access to an agency or branch, and this is only likely to be provided by a combination of a credit union and the RTC program.

could be funded from Alice Springs to provide services. We have had to be fairly creative, if you like, about how we have used that fund.<sup>46</sup>

16.55 Apart from the difficulties facing a remote community in achieving a critical level of business turnover, it must also have within it a group of people capable of putting together a sound financial plan showing that there is sufficient community backing and management skills to make the facility commercially self-funding. The community, however, needs to draw on expertise to build a sound business case in areas that are already commercially marginal. Managing this critical stage is a significant obstacle. Ms Bev McMillan from the TCU noted that compiling a business management plan to accompany the funding application is:

...a mammoth task for a manager in a community who is already overworked and overtaxed. Sometimes they do not have the time or have the ability to get that one step further to take advantage of the funding.<sup>47</sup>

16.56 Indeed, the experiences of the Nyirranggulung Mardrulk Ngadberre Regional Council underline the difficulties in bringing together a business plan. It reported that progress to establish an RTC at Bulman had stalled because its 'remoteness makes it impossible to undertake the negotiation necessary to develop the agreements and commitments required to complete a business plan'. It informed the Committee:

Proposed service providers for the RTC included a credit union, Centrelink, Batchelor College and others. Negotiating letters of intent and lease agreements with these providers has proved an impossible hurdle from Bulman.<sup>48</sup>

Notwithstanding its disappointment, the Council was 'looking again at financial and other services in a regional framework'. It was firm in the view that:

The RTC scheme can and will make a significant contribution to accessing financial and other services in remote areas.<sup>49</sup>

16.57 There is also the partnership aspect of an RTC and the importance of attracting a financial institution willing not only to support the enterprise but equipped and sufficiently ambitious to broaden the scope of the financial services to be provided. Professor Altman noted that the RTC program was still in its infancy and that most of the centres he was aware of are 'building shells that are a form of

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46 *Committee Hansard*, 22 July 2003, p. 588.

47 *Committee Hansard*, 21 July 2003, p. 527.

48 Correspondence received as additional information, Nyirranggulung Mardrulk Ngadberre Regional Council to Committee, 11 September 2003. This correspondence follows a submission by the Gulin Gulin & Weemol Community Aboriginal Council. Gulin Gulin is a member community for this region.

49 Correspondence received as additional information, Nyirranggulung Mardrulk Ngadberre Regional Council to Committee, 11 September 2003.

infrastructure for financial, banking and other service delivery agencies to locate in'.<sup>50</sup> He stated further:

It seems to me that an RTC will only be as effective in terms of banking and financial services as the operator you get in there. Again, I guess we are just going back to the fact that if you can get a bank branch into an RTC it would probably be very positive, particularly if it can provide some business advisory services and access to business credit. But if it is a credit union or giroPost or an ATM, for instance, then it is not going to make a huge difference to the economic development potential for that community.<sup>51</sup>

16.58 Four key issues emerge from the discussion on the establishment of RTCs in remote Australia:

- the problem in generating sufficient business activity to make an RTC a commercially viable enterprise;
- the RTC guidelines which appear to lack flexibility and fail to recognise and appreciate the unique structure and composition of Indigenous communities;
- the difficulty in locating a core of committed people from the community with the professional and business skills and foresight to design and initiate plans for the establishment of a financial institution that would meet the needs of their people; and
- the lack of involvement of Australia's major financial institutions to support RTCs in remote areas of Australia.

16.59 In chapter 8, the Committee made a number of recommendations that are intended to improve the operation of the RTC program. They are relevant to the RTC program as it applies to remote areas especially the need for the program to be able to accommodate the unique circumstances of isolated communities. This section of the report has underscored the importance of this recommendation.

16.60 The Committee also notes that the RTC board does not have an Indigenous representative. Reconciliation Australia pointed out that although Indigenous people form a high percentage of the population in many areas that are eligible for assistance under the program, there is no Indigenous representation on the RTC Advisory Board.<sup>52</sup>

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50 *Committee Hansard*, 14 November 2002, p. 88.

51 *Committee Hansard*, 14 November 2002, p. 88.

52 See also comments in N. Westbury, 'Feast, Famine or Fraud', Address given at 'Indigenous Consumer Issues in Remote and Regional Australia: A National Workshop, 22–23 April 2002, p. 7

## Recommendation 28

**The Committee recommends that a member from the Indigenous community, who is able to represent the interests of Indigenous people living in remote areas of Australia, be appointed to the RTC Board.**

**In addition, the Committee recommends that the RTC Board's Charter be amended to recognise specifically the need for the provision of services to remote Indigenous communities.**

## Investment capital in remote Indigenous communities

16.61 The Committee now turns to two key issues briefly touched on in its consideration of the operation of the RTC program in remote communities—the shortage of local business and entrepreneurial skills and the absence of financial institutions.

16.62 The lack of both business activity and leaders to drive commercial activity means that financial institutions are not attracted to remote Indigenous communities. But the very absence of banking and financial services in itself means that business is not drawn to these areas and so an environment that lacks both financial services and business activity and where financial literacy and business skills are not fostered becomes self-perpetuating. Professor Altman told the Committee:

...a certain rudimentary level of business banking services is needed before commercially viable businesses can operate, unless small Indigenous businesses are expected to operate without access to deposit facilities, credit facilities and other financial services—hardly a realistic option at the start of the 21st century.<sup>53</sup>

16.63 Such an environment then suffers from a range of difficulties especially its ability to attract capital and to produce skilled people with the initiative and confidence to establish commercial enterprises. Three financial commentators noted:

Access to development, equity or venture capital typically requires the existence on the part of the persons seeking such capital, ownership of valuable assets and the requisite skills to manage and develop those assets.<sup>54</sup>

16.64 They maintained that in the main Indigenous people do not have the access to equity capital that is available to non-Indigenous Australians because:

- they lack the skills to identify potential business opportunities and to package and structure those opportunities;
- they lack business and management skills to operate and develop businesses;

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53 *Committee Hansard*, 14 November 2002, p. 79.

54 Peter Yu, Anthony Abraham and Danny Gilbert, *Indigenous Banking and Financial Services Workshop*, Sydney, 8–9 May 2002, Gilbert & Tobin, 2002, p. 2.



- they are not part of and have no connections into the professional business world of the equity and investment markets, making it impossible for them to access the requisite capital, advice and skills;
- they have not until recently, had access to assets which could be used to attract equity capital; and
- the assets held or ‘controlled’ by, and the opportunities available to, Indigenous people are typically in locations remote from each other and from major commercial centres.<sup>55</sup>

16.65 The Northern Territory Government submitted that:

If remote communities are to build their capacity to move beyond local welfare or government supported economies, small business and private joint venturers need access to banking and financial planning facilities. Private sources of finance and financial services need to be locally available to encourage economic development and retain cash within the communities.<sup>56</sup>

16.66 Coupled with these various problems is the perception by banks that Indigenous people have limited credit records and no collateral, are high risk, and add no value to the bank’s financial bottom line.<sup>57</sup> Mr Joseph Elu, Director, Reconciliation Australia, suggested that fees are higher in some Indigenous communities:

I come from the Torres Strait and have lived there almost all of my life, and the lack of banking facilities up there borders on being funny...It is a fact that in the Torres Strait the National Bank were charging higher interest fees. The reason they gave for that was that, because people could not get insurance for their dinghies, the bank were stacking on a couple of interest points for personal loans.<sup>58</sup>

16.67 The Nauiyu Nambiyu Community Government Council noted the propensity of the larger banks not to consider loan applications in amounts less than \$5,000 which creates difficulties for Aboriginal people.<sup>59</sup>

16.68 In many remote areas of Australia, the land is often communally owned and legally inalienable.<sup>60</sup> The Northern Territory Government informed the Committee that:

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55 Peter Yu, Anthony Abraham and Danny Gilbert, *Indigenous Banking and Financial Services Workshop*, Sydney, 8–9 May 2002, Gilbert & Tobin, 2002, p. 3.

56 *Submission* 128, p. 3.

57 See the Cape York Community Financial Project Ltd, *Submission* 47, p. 6.

58 *Committee Hansard*, 14 November 2002, p. 91.

59 *Submission* 5, p. 2.

In mainstream Australian society personal banking and financial services centre around the home mortgage, the family home forms the basic framework of financial management and planning. In remote communities in the Territory, however, the majority of housing is on *Aboriginal Land*, preventing any legal form of home ownership.<sup>61</sup>

16.69 Mr Stephen Oxley from the Department of Immigration and Multicultural and Indigenous Affairs submitted:

We think banks should be encouraged to examine opportunities to provide home and business loan products targeted at the needs of Indigenous people and that, together with ATSIC and local communities, there are opportunities to look at creative methods of providing home loans to people living on community Aboriginal title land, where there have been historical impediments to use of that land as security.<sup>62</sup>

16.70 The Committee is aware that Indigenous people share with other people in regional, rural and remote Australia difficulties in gaining access to adequate banking and financial services. It notes, however, that some difficulties faced by Indigenous people are often compounded by remoteness, lack of financial literacy, socio-economic disadvantages, cultural differences or a combination of some or all of these factors. In some cases, their need for assistance is greater.

16.71 The theme that dominates any consideration of Indigenous financial matters is the extent and interrelatedness of the complex problems confronting Indigenous people in gaining access to banking and financial services. It is clear to the Committee that each identified problem cannot be treated in isolation. To tackle the problems effectively, the Committee believes that there must be a concerted and coordinated approach to address these issues. The Committee is not convinced that this has yet been developed.

16.72 The recommendations made in this part of the report must be placed in an overall policy framework that is intended to improve the economic and social welfare of Indigenous Australians. The strategy must clearly articulate its intention to advance the economic independence of Indigenous Australians by promoting informed decision making; furthering education about rights and obligations in respect of banking services; facilitating the wide and confident use of electronic banking in remote areas; fostering Indigenous commercial activity; and providing incentives for Indigenous people to take up the study of economics and commerce and take on

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60 See for example, *Generating finance for Indigenous development: economic realities and innovative options*, a paper for the Reconciliation Australia Ltd Workshop 'Banking and Financial Services for Indigenous Australians', Sydney, 8–9 May 2002, p. 4.

61 *Submission 128*, p. 6. Attached to the term 'Aboriginal Land' in this quotation is a footnote which reads 'Land acquired through claim under the *Aboriginal Land Rights (Northern Territory) Act 1976*, held as inalienable freehold title by a designated Land Trust.'

62 *Committee Hansard*, 12 November 2002, p. 15.

employment in the field of financial services. It should acknowledge that for programs to be successful Indigenous communities must embrace them as their own.

16.73 Any broad plan to improve access to banking and financial services must also seek to encourage financial institutions to make a commitment toward and to put in place practical measures to improve the delivery of banking and financial services to people in regional, rural and remote Australia particularly Indigenous Australians. This matter will be dealt with in the following chapter.



## **Part IV**

### **Financial Institutions in the Community**

The report has clearly established that there are pockets in rural, regional and remote Australia where people experience difficulty in obtaining banking and financial services. Local councils in particular have written to the Committee outlining the problems that their residents and local businesses have in accessing banking and financial services. In expressing their unhappiness with the delivery of such services, a number of submissions raised the issue of banks and whether they have a community obligation to provide adequate banking and financial services.

This final part of the report discusses this matter of financial institutions and the obligations they have to their customers and to the broader community.

Australia is not alone in this debate about the responsibility of banks to the community they serve and how to encourage or even compel banks to take a more constructive role in assisting disadvantaged communities. As well as exploring community service obligations, the following part of the report looks at developments in this area in the United Kingdom, the United States of America and in Canada and determines whether Australia can learn from their reforms.

Finally, the report summaries its views on the role of governments and the private sector in ensuring that all Australians have access to adequate banking and financial services.

