SUBMISSION TO: "PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS & FINANCIAL SERVICES IN RE:"

"INQUIRY INTO THE LEVEL OF BANKING AND FINANCIAL SERVICES IN RURAL, REGIONAL AND REMOTE AREAS OF AUSTRALIA"

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Ladies & Gentlemen,

When Ms Simone Pensko, your Principal Research Officer, kindly sent me a copy of your 'terms of reference' etc for this enquiry, just received, I was pleased with the prompt response.

From the list, of "Members-of-the-Committee"I see one or two names of persons, whose, pre-selection procedures are known to me, and I am impressed by the composition and the residual knowledge that is present in your committee.

It is often the nature of 'parliamentary committees' that the seen as "tribal based" adversersorial debates as shown on television from time to time, are usually absent...and concentration is given over the "acceptance/rejection" of the submission then before the members.

What you are about to read, if súch brief definition is sought, are the writings of an'iconoclast'..but they are my writings..in them there is nothing of a 'confidental nature' and all are experience based.

The principal, and good, reason for the continuous decline in the provision of "financial services", with particularisation, given to 'banks' is that the ...business available issmall and not very profitable. In that, from statistics given,.."the aggregate farm debt is $23 Billion"...for an iddustry, that is 'capital intensive, farming, and ergo, uses capital intensively' for a nation of this size the capital represented is remarkably small. Stock & Station firms, such as Elders also have a contribution, as does the 'capital content' in leasing arrangements from such firms as 'GE Capital'. There is a further amount that, by derivation, maybe found in the various 'futures markets' payments. I do not have the figures for these, but acknowledge their existence as part of the 'capital or finance' structure.

It should be noted, that the 'finance community' (mainly Sydney and part Melbourne based) have "entered into obligations of $37 Trillion (RBA report) which in the AXISS newsletter of April 2001 in a bar graph was further displayed as being..half in foreign exchange positions and half in derivative positions"...members will readily realise that the 'finance community' (with predominant bank partcipation) have a much larger interest, as expressed by the '$37 Trillion figure' in that sector, than the 'mere' $23 Billion in rural debt.

(in passing, the variously estimated worth of 'Australia' is said to be$9.2 Trillion..and yet the 'finance community, from bases here have entered into 'obligations' of $37 trillion..which is over four times the total worth of Australia.)

I think, from the brief summary, it is quite obvious that existing major 'financial services' simply want to exit from the 'rural & regional areas' and they only maintain 'services' largely out of "usage & custom" and in some cases, the collateral benefits to be found in dealing with foreign exchange from exports of wool, meat, wheats, other grains etc. Minerals, such as coals, aluminum & koalin, copper, zinc, tantalum, etc are more of an industrial basis than 'aspects of agriculture' and their capital structure is more of an international content..even though, the main mines are in rural areas.

So, out of respect of your patience, I will now advance certain ideas, that whenimplemented, would provide, from their structure, a continuous system for the supply of "banking & finacial services to rural and regional and remote areas of Austrãlia".

1. A system of "community financial facilities" to be established by appropriate legislative writings. Within that, deposits to guaranteed; charges to be exempt the conditions of Sections 36 and 51 of the Banking Act 1959 (as amended).

2. Management to be by "community elected/appointed"boards of not more than five persons within a prescribed service area.

3. No 'interest' to be paid on deposits, BUT, every quarter a 'distribution' be made to depositors from the experinces of the facility during that period, and the surplus (subject to reserves) be thus duly distrubuted. (If any).

4. Advances be made, again within the the 'prescribed area' to and for any worthwhile proposal (within the opinion of the management) and such costs involved be paid, on a calculated monthly basis, by the user of the (then) capital.

5. 'This' structure, when duly expanded, provides for a "savings & loan" facility. At this stage, 'credit creation' is not envisaged. That such an operation may subsequently follow, as we are dealing with what is in effect, a 'local bank' structure should be, with due caution, be allowed for.

6. In operational terms, the need to set up premises and so forth, can be largely set aside, by 'location licensing' so that a newsagent, or general store, or chemist, can offer the use of the facility. Advances, from an administration point of view, would have to be centralised, but the applications for advances, could very well be lodged at the points of the agency structure.

7. Cash advances, could be used, subject to security concerns, by the usual ATM machines. That those machines need someone to put the cash i in, provide maintenance and so forth, may be considerations that limit their use in say, 'remote' areas.

8. Common-Wealth financial structures could, with benefit, be used for the provision of "seed-capital" as a 'grant-in-aid' after the style of operations of "Invest Australia" and several other examples which will be known to members of the Committee. (Refer also to Section (iv) of Section 51 of the Constitution of 1901..the 'Public Credit'..and the preamble to the Banking Act 1959.)

9. Management personnel, could be readily sourced from existing 'made redundant' persons from the existing banking industry..all the asets they need, are "discernment and integrity"..and a management structure that permits their use.

By those previous notes, having thus set up, albiet in synopsis form, a continuous source of 'community-supplied- capital' it behoves one to indicate some ways how the resultant production is to be paid for and at beneficial return level of payment.

As they command attention, let us look at some aspects of 'exports' of which Australia, due to its small population and great climate variations and soil types, will for many years, have a reliable surplus..and thus provide, that scarce commodity, 'foreign exchange.'

It must be understood, that all markets, including commodity markets, are, in one word.."rigged"..by the simple method of central bankers allocating (or not) the required funding for the various trades.

The purpose, without making a thesis out of it, is to 'allocate the added value' found in international trading..since the days of the Medici in 1100 AD and since. (To bellow about "free trade" which has never existed in 5000 years of recorded history, is simply to indicate ones lack of sophistry.)

After that often hard learned lesson is accepted, then one takes the steps of not only producing the commodity BUT also owning the foreign echange that can result from such sales..and by seperate arrangements to 'merchandise that foreign exchange.'

Such an idea is being studied by sectors of the Sugar Industry. It does not take much intelligence to work out that to produce 'sugar' at 5.6 cents per pound FOB is non-profitable..not only for the grower, but the processor and exporter. That such a price continuation will result in no sugar industry with or without subsidies, is an obvious outcome...and of course the finances,where loan capital is involved are in jeopardy. But if small change is made in "terms of sale" so that sugar is exported with acceptance of the currency of the country of destination..eg Indian rupees, Vietnamese dong, etc then the reference price from say 'Chicago futures of 5.6 cents per pound' to Lome Convention reference price of 14 cents per pound(or similar) provided that the currency of the imported is accepted, finds an agreeable arrangement. India is not going to run out of rupees, nor is Vietnam going to be short of dongs and so forth. When prices are set in a 'reserve currency structure' (say US Dollar) then strong resistance to imports, prices,quality, etc all set in.

By the prior acknowledgement, that in a country such as Australia, with a long term balance-of-payments deficit, foreign exchange is a 'scarce commodity' and can be carefully merchandised with that aspect in mind.

The cotton industry, in much the same way, but with specific changes is also looking at "those ideas" for their implementation.

Now all this stuff is mentioned, to indicate that, if there is to be set up, "community-financial-facilities" then protection of its use, that is, of 'community capital' must needs be a counterpart measure with understanding and sound administration from the members of the resultant administrative structure. To just provide funds for some new or existing agricultural production, without following the results through, from farm to consumer, is an administrative error that should not first occur.

Let us look at this "community capital concept" by scenario application.

In rural communities, the "values-fo-the-moment" in respect of farm lands, equipment, crops, livestock etc are all well known and are constantly discussed. So that, when a "depositor" drives past a rural property, he/she can say: "There is some of my money in that farm/crop/ tractor!"..and the assessment is made of its 'security' as a piece of community capital investment. There is not, in this situation, the bland separateness of an elsewhere based 'bank' having its funds so advanced. In most cases, there will be a transverse sense of pride in the observation..without any aspect of remoteness or the need to satisfy "shareholder returns" or whatever else may appear in a balance sheet with some odd ideas about the use of verities..even 'though it maybe audited.

What 'this' amounts to is 'constant intelligence' to provide, a form of safeguard of use. An aspect that activity based outfit cannot even hope to accomplish. It is for this reason, that a "government deposit guarantee" system can be put in place as there is very little liklihood of it ever having to be needed.

You will have noted, the "no interest paid/charged" structure but due allowence for a 'charge of use' (of the facility). This is put in to arrange avsoidance of the absurdities of the current interest rate structure, whereby.."subject to the approval of The Treasurer the Reserve Bank Board can set interest rates where it pleases! Sect 51 Banking Act 1959)...to produce a 'one size fits all interest rate policy for urban, commercial, and agricultural uses is an error best viewed as a functional absurdity! '..When one applies, Circero's words (Rome about 50BC) of "Qui Bono?"...Who Benefits?..the only beneficiary found is the associated banks..and as One quarter of 1% increase in interest rates gives them an increase of $1 Billion a year in net profits ..the sussion applied to the RBA decisions has an obvious point of origination..(As their PR activities clearly show.)

Some of you on the Commitee maybe young enough to recall..the "overseas loans" affairs sold as a product by some of the Associated Banks from 1981 onwards..first of in yen, then D-Marks, then Swiss Francs..that at one stage totaled $8Billion, mainly in the farming sector.

When the inevitable Court cases came about for what was, a planned 'unconciouseable result" they were often settled by allowing for 'confusion and non-understanding on the part of the borrower'..and from that, the substance of the loan was extinguished. But in all the cases, that have been brought to our notice (the list is not comprehensive) there was no mention of.."these, were nomenclature loans..they were expressed in yen, D-Marks, Swiss Francs et al but there was no record of "foreign currency coming in or re-payments going out"..simply because it did not exist! The loans could have just as easily been expressed in cowrie shells or leather tokens (pecus) nominating cattle..but they only chose, from a clearly known far in advance,selection of curranccies, that would appreciate the most against the Australian Dollar..whose path, of constant devaluation was set in place in 1981 becuase those in authority simply knew no better..and from that, were un-trained in any (and they are several) alternatives. The 'tariff/bounty' aspects of exchange rate pricing are of course quite clear.

You will have noted, as recommendation, that at this stage, the initial formations,.."credit creation should be not used"..which is not the same thing as "provision of credit, from drawing rights on community capital"..the intention so described.

"Credit creation" and so forth was taught in Banking Schools in Florence in 1120 AD..they also taught how to have three books.. one for the customer, one for the tax ation authorities, and a third setting out the exact position of the bank.

It maybe noted, in the Coddington Case (and 15 others) the Commonwealth Bank has admitted to keeping two sets of books..one for the customer and another for the ATO..naturally, all duly audited!

Your research staff will probably be able to find for you a copy of Adam Smith's.."An Inquiry into the Cause of the Wealth of Nations" published , after 13 years in the writing, in 1776. Well, in that look up his comments on 'banking'...it could be a contempory form of commentry. At that time the banks held a 'reserve' or 'capital adequacy ratio'of 20% . Up until about 1978 the 'capital adequacy ratio' in Australia was 10% (all these as a per cent of a loan) but until 1983 that was agumented, said to be for some regulatory/prudential reasons by Statutory Reserve Deposits with the Reserve Bank. Since that time both have changed. You will find, in the March 2001 edition of the IMF quarterly "Finance & Development" (an easier book to get hold of than Adam Smith)..an article by Jan van der Vossen who is Deputy Chief of the Banking Supervision and Regulation Division in the IMF's Monetary & Exchange Affairs Department..om pages 11& 111 of the 'Bulletim' section concerning... "Capital Adequacy Ratiohs as advised by The Bank of International Settlements" (in Balse) and therein, it is given: "that the capital adequacy ratio be set at $1.60 cents per $100"...yes, the rest is 'created' within the context of a loan arrangement! (It maybenoted that APRA in recent writings, claims that ..in Austrália it is $8..per $100..and again the rest is 'created!')

Now for such an arrangement to operate requires a grand fluidity from advances and deposits. A 'community-credit-provider'structure, having no need of these huge interchanges (that on ABA figures is over $8 Trillion a year) does not need to directly participate. That they will need, in an aggregate sense, some access to the cheque and other instruments clearing system should not be overlooked and should be allowed for in any formalised writings. That aspect, other than being noted at this stage, need not be developed by these notes.

We have given brief details of dealing with the payments for exports, but other than in a supporttive role, to the various structures that govern rural industries, such "Sugar" "Grains" "Wool" "Meat" "Horticulture" the role of the 'community-credit-provider" particulary in the early stages, should be supportative, but not particpatory. Later, as various adaptations and skills are acquired the 'banker' to the "rural exports sector" could be sensibly entertained...knowing, that in so doing such service, for that is what is entailed, is for the express benefit of seeking and protecting the use of various "comminities-Capital".

Thus far, in your reading, you have been given either by comment or referral to some levels of financial sophistry that may not seem to relevant to 'rural, reguonal or remote' areas..they, ate but only in an indirect way.

As you know, children, particulary farm children, generally about the age of 11 start getting some strength. (Yes, you need muscles to even work a clutbh on atractor) Farm children, on the quite uncomplicated basis of "helping Dad" commence to do some work. (No its not child labour, it is farm children being themselves.) But at the same time commences the "spirit of enquiry"..and that is to be nutured!
A question of..this calf that you say is intendedfor the Japanese market how much do we get for it?...then can follow, the calf-to-consumer (as prime beef) anatomy of pricing..who getswhom from whom for what...until it reaches the consumer's table. If Dad(or Mum) does not know there are people in the industry that, with patience, can answer that young person's clear enquiry.

Then there is another question when the freight bill comes in:

"Hell, freights have gone up! Why?"..again the anatomy of the bill the road, (did the Shire borrow money to build it or seal it?) the truck..most usually subject to finance lease..if the interest rates go up, then the costs go up..the diesel..if its from Bass Strait oil fields its well-head cost is $6.20 a barrel (that is 44 gallons).. if from Saudi Arabia the well-head cost is 20 cents for the same barrel. The registration..does the State Government really need that much? Excise Tax...what does the Common-wealth Government do with all that money wepay?..there is a whole contempory economic study in the 'anatomy of the freight bill'..at the farm gate.

Now both these vignettes are given for you to consider. The first,was to revenue coming in, the second, was to monies going out..that is the economy...not only of afarm, but much else besides...and attention to all those things, let your composite minds explore fully before you decide on recommending to 'whomsoever' the "burden and benefit of a communities-financing-facilities"..that have been sketched out here.

If members of your Committee want any aspect expanded I will be pleased to do no so in writing against specific enquiry.

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