‘Laughing All The Way to the Credit Union’

The CREDITCARE Experience in ‘No Bank’ Towns 1995 – 2000

ACCORD Research Associate
Dr Gary Lewis
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ABOUT THE AUTHOR

Dr Gary Lewis is a Research Associate of the Australian Centre for Co-operatives Research and Development (ACCORD) and author of *A Middle Way — Rochdale Co-operatives in New South Wales, 1859-1984; An Illustrated History of the Riverina Rice Industry* and; *People Before Profit – The Australian Credit Union Movement.*
yeslewis@bigpond.com

PREFACE

ACCORD - the Australian Centre for Co-operative Research and Development - has been established by our two universities and the New South Wales Department of Fair Trade to focus research on Australia's co-operative and mutual organisations.

Co-operatives and other collective action organisations have contributed greatly to Australia's development. Internationally, co-operatives and similar organisations are experiencing renewal. By contrast, in Australia the desire and the capacity for co-operation appears to be diminishing.

This project brings together two of ACCORD's main interests. ACCORD is interested in attempts to expand the membership of co-operatives and other mutual associations. CreditCare was one such attempt. ACCORD is also deeply interested in the role that co-operatives and mutuals can play in revitalising rural communities devastated by the withdrawal of government and business services and loss of population. CreditCare was designed to address that very issue.

CreditCare was a program initiated by the credit union movement and supported by the Commonwealth Government to address the problems caused to many rural communities by the withdrawal of bank branches. It operated by employing field staff to encourage communities affected by bank branch closures to form a credit union branch. It operated mainly in the eastern states of mainland Australia between 1995 and 2000. CreditCare field staff helped nearly sixty communities create financial and other service institutions serving approximately 40,000 people. It ended because of certain institutional constraints and because it was not able to replace all the services needed by many small communities.

For the Commonwealth Government, in 1999, the Rural Transaction Centre (RTC) program superseded CreditCare. The RTC program was based on models developed by CreditCare, especially in Queensland, models designed to provide more than simply a credit union branch. But, up to now, the program has not been as successful as CreditCare. This may be because, until recently, it did not utilise the field staff based development methodology used by CreditCare.

ACCORD believes that the CreditCare experience was a particularly important one and deserving of close study before it faded from memory. ACCORD is fortunate to have been able to gain access to CreditCare documents held by the Credit Union Services Corporation (CUSCAL). It is grateful to former CreditCare staff for sharing their experiences with us. We also thank Commonwealth Government staff associated with the project for sharing their recollections with us. Most of all ACCORD was fortunate to be able to employ one of our associates, Dr Gary Lewis, to undertake the research and to write this study. Gary Lewis is the historian of the credit union movement and deeply versed in the history of co-operation in this country as well as being an active co-operator.

We believe this study contributes considerably to our understanding of successful methods of community economic development. If it is less revealing of the potential role that co-operatives and other mutuals can play in this development, this is largely because the process of institutional development begun by CreditCare was not allowed to run its full course.

Mark Lyons
Co-director ACCORD
University of Technology, Sydney

Kay Plummer
Co-director ACCORD
Charles Sturt University

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Gary Lewis
November 2001

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INTRODUCTION

An intriguing question when considering CreditCare is why this excellent program was ended after only five years: 1995 to 2000.

CreditCare was a joint initiative of the Commonwealth Government and Credit Union Services Corporation (Australia) Limited (CUSCAL). The program was established to help rural communities help themselves re-establish financial services, where access to these had been lost through bank closure, by attracting a 'host' institution, ordinarily a credit union, to a town. CreditCare helped nearly sixty 'no bank' towns regain access to financial and other services, serving approximately 40,000 people for a very small outlay of approximately $6 million (Commonwealth Government $4.2 million; CUSCAL $1.25 million; and New South Wales Government approximately $0.5 million). Through CreditCare, many towns came to enjoy new services for the first time and discovered an empowering 'self-help' methodology.

The short answer to our question about CreditCare's brevity is the program was never intended to be a long-term project. In a practical sense, CreditCare simultaneously outgrew the institutional parameters of the credit union movement as the Commonwealth Government's urgent need to deliver complex rural services exceeded the capacity of the credit union model to deliver. CreditCare was adjudged superfluous to needs by both partners, perhaps erroneously.

Discussion is arranged in three parts. Part 1 is a broad overview of events in the period, considering the environment in which CreditCare functioned and how this affected the program. It is broken into three sections: a 'golden age' 1995-1997; events leading to the program's demise 1998-2000; and Analysis, which seeks to explain outcomes. Part 2 examines CreditCare's brilliant and distinctive community economic development methodology. Part 3, presented as case studies, illustrates how CreditCare adapted the credit union model to suit various conditions in towns.

PART 1 CREDITCARE 1995-2000

A ‘RUNNING ON ADRENALINE’ 1995-1997

1. The Economic and Regulatory Environments

CreditCare’s achievements in rural economic development are better understood in the context of the tumultuous economic and political environments from which it emerged. The program was born in a period of radical industry structural adjustment and market reform, profoundly affecting particularly primary industry and the financial and telecommunication industry sectors. Ironically, and perilously for CreditCare, while governments were deregulating other industry sectors, co-operative building societies and credit unions were being more closely regulated in the aftermath of institutional failures, notably Pyramid Building Society, and as a bulwark against wholesale take over. The first major shock wave for credit unions came in July 1992, when the Australian Financial Institutions Commission (AFIC) launched the Financial Institutions (FI) Scheme. Under the FI scheme, non-bank financial institutions (NBFI) were required to comply with minimum prudential standards, submit to uniform (state based) regulations, implement and fund a national supervisory mechanism and contribute to state contingency funds and emergency liquidity support schemes.

There was a positive side to the FI Scheme, which commenced operations in the 1993/94 financial year. The way was opened for credit unions to engage directly in the bulk clearing system (with restrictions on drawing cheques) and the institutions achieved trustee status, providing access for the first time to deposits from community, regional development and charitable organisations. The commonwealth was also able to channel labour market program funds through credit unions.

On the other hand, credit unions were required to hold 15 per cent of assets in liquid form, (while banks were required to hold only 6 per cent). The FI Scheme involved a welter of regulatory authorities throughout Australia - eight State Supervisory Authorities (SSA), eight ministers, an interstate consultative committee and secretariats in each jurisdiction. NBFI were required to deal with and pay for this cumbersome 'co-operative federalist' edifice. Some credit union leaders argued that bureaucratic rigidity and duplication inherent in the scheme disadvantaged credit unions in adapting flexibly to change, that the FI Scheme was an 'overkill' of government intervention with regulators seeking to run business and bore little relationship with markets. Certainly, the FI Scheme's onerous capital adequacy provisions drove out of business small 'grass roots' credit unions and prevented new ones from forming. For this reason, and for the simple economic reason that many communities in which CreditCare functioned were too small for a stand-alone credit union, the program's managers were obliged to work with credit union branches or agencies, rather than seek community support for autonomous institutions in 'no bank' towns. This affected the notion of community 'ownership', central to CreditCare methodology.

The second shock wave for credit unions came when the federal Labor government abolished taxation exemption on member-generated income. Credit union leaders estimated that the credit union cost structure was now approximately double that of regional banks, forcing institutions to take new approaches to financial management and cost controls, including the introduction of fees and 'teller free' services involving costly technology. Not surprisingly, credit unions were ultra cautious about anything beyond strictly core business. Indeed, mounting costs and the convergence of new electronic technologies and communication networks put the entire rationale for the delivery of financial services through 'bricks and mortar' institutions under a cloud. Meanwhile, as banks busily divested themselves of unprofitable business, a 'stampede' to credit unions began. Pressures to rationalise and amalgamate became unbearable for many institutions. Australian credit unions fell from 549 in number in 1983 to around 290 a decade later, while credit union membership soared from 1.9 million to 3.4 million. With the full impact of the FI Scheme still washing through the movement as CreditCare began, boards and managers were understandably distracted from engaging in concerted action or program cross-subsidisation, such as the program ideally required. Margins were tight, scope for innovation even tighter and opinion divided in the credit union movement about the way ahead. In such a context CreditCare sought to attract institutions to rural communities in which they had little or no experience.

CreditCare evolved as an electoral backlash was building in the bush against the prevailing orthodoxy of economic rationalism, centred on competition policy, tariff reduction, deregulation, slashing industry assistance, reforming labour markets and selling state assets. A Keating Labor government presided over a nation divided on a raft of emotive issues including a republic, native title, immigration and unemployment. Disaffection with major political parties was evident and growing gaps between rich and poor and urban and rural conditions. Banks were in bad odour as an epidemic of branch closures proceeded accompanied by mounting fees, declining services and rising profits. In the six years to June 1999, around 1,760 bank branches were closed across Australia, over 600 of them in rural areas! There were 500 closures in New South Wales alone.

Research indicated bank closures in rural communities led to an overall decline in a town's economic turnover and a loss of confidence and business as shoppers went to regional centres. Of immediate concern was the interruption to government payments systems, disadvantaging many.[1]

2. The Commonwealth Government and Bank Closures

In late 1994, faced by the quickening withdrawal of basic banking services from rural towns, the Commonwealth Department of Social Security (DSS) received a growing chorus of complaints from welfare entitlement recipients experiencing difficulty in cashing social security payments. The problem was not new. Many remote communities, especially Aboriginal and Torres Strait Islander (ATSI) communities,

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[1] Other impacts of bank closures included reduced savings and investment income, loss of cash sales, cost increases in accessing finance and credit, disincentives to borrow, larger withdrawals,'unwanted' money lying around with attendant security risks, increased cheque usage with delays in clearance, bad debts, loss of employment, declining property values and falling population. See Diana Beal and Deborah Ralston, 'Economic and Social Impact of Bank of the Closure of the Only Bank Branch in Rural Communities' 1997; Centre for Australian Financial Institutions (CAFI), Faculty of Commerce, University of Southern Queensland; *CAFI Newsletter, Volume 1, Issue 2, June 1997.*

had never had convenient access to financial services and were prone to scoundrel ‘cash’ merchants. The DSS identified a ‘customer need’ in ATSI communities in rural and remote Australia for the transfer of income support and other government payments.

Commonwealth officers discussed with financial service providers, possible ways of addressing these problems. Following initial contacts between the DSS and the Credit Union Foundation of Australia (CUFA); an organisation established by credit unions to preserve the movement’s philosophy and mission of social responsibility; a meeting was held between senior officers of the department and Credit Union Services (Australia) Limited (CUSCAL).

3. Credit Union Services (Australia) Limited (CUSCAL)

Sydney based CUSCAL is one of the two Special Service Providers (SSP) recognised by the FI scheme; the other is CreditLink, based in Brisbane. CUSCAL represented some 80 per cent of Australia’s (then) approximately 290 credit unions, with assets totalling nearly $20 billion. The corporation provided a wide range of services for affiliates in liquidity management, retail and corporate banking, insurance, marketing and advertising, government relations, treasury mortgage securatisation, industrial relations, research, training, information technology, funds management and credit union development.

CUSCAL accepted that a joint project with the commonwealth was in the interests of general credit union development and decided to proceed.

4. Credit Unions

It is important to bear in mind in our discussion that credit unions are autonomous, democratic member-owned financial institutions with each institution setting policies on product offerings, service levels and fees and charges. CUSCAL exercised no direct control over credit union policy and the decision to participate in CreditCare resided with independent affiliates. For their part, credit unions offered a wide range of products and services to address rural financial services needs, including at various times, and in different jurisdictions, in the period:

- day to day banking/cheque/card accounts;
- special savings accounts;
- cash management accounts;
- direct debits;
- periodical payments;
- fixed term deposits;
- personal/home/investment finance;
- business/rural chequing facilities;
- business/rural overdraft and loan finance;
- household/business insurances;
- investment and retirement planning;
- rural/primary production finance;
- cash and cheque deposit processing;
- counter cheques and cash withdrawals;
- account opening and maintenance;
- business cash/coin counting, secure custody and dispensing;
- EFTPOS merchant facilities; and
- Visa Cards, MasterCards, ATM cards.

5. Joint Initiative Partners

CreditCare commenced in July 1995, a joint initiative of the Commonwealth Government and CUSCAL. The program was conceived as a pilot national project to 1997, designed to assist in the provision of financial services in rural and remote communities, which had lost access to financial services. It was envisaged that CreditCare field officers would work with local communities to assess their financial viability by facilitating community meetings, conducting surveys and developing business plans. Business plans would be used to attract financial institutions (usually existing credit unions) to communities.

CUSCAL was contracted by the government to manage the program on behalf of the Australian Credit Union Movement. The Commonwealth Government's project partners initially included the departments of social security, primary industry and energy, transport and regional development, employment, education and training and youth affairs. The partners contributed in cash and kind to the program, which enjoyed broad bipartisan political support. The New South Wales Government later contributed funds to employ additional field workers.[2]

6. CreditCare's Objectives

When CreditCare unfurled its banner in 1995, the program's objectives included:

- promote within rural and remote Australia, including Aboriginal and Torres Strait Islander (ATSI) communities, the availability of retail financial services either through the establishment of community credit unions or the extension of services of existing credit unions;
- promote greater equity between urban and rural communities in terms of access to an essential range of financial services;
- promote greater opportunities for regional enterprise development and regional development generally;
- promote greater opportunities for self-determination and employment creation in ATSI communities.

Essentially, the program sought to assist in the re-establishment of financial services for rural, remote and indigenous communities, where access to these had been lost or denied, and to augment regional development. This was contingent upon attracting a 'host' organisation to a 'no bank' town to establish a viable branch or agency.

7. The CreditCare Field Officer Network

CreditCare Operations Manager Mark Genovese assembled a team of gifted field

[2] Discussion Mark Genovese, Margaret Lester, Graham Loughlin.

officers (eventually ten in number). They were to ‘broker’ relationships between communities and prospective institutions. Though nearly all emerged from a credit union background and were passionate about ‘self-help’ development methods using a consultative process *owned* by communities, they were not ‘homogenous’ in style and used different approaches and emphasised different things within a broad framework. The structure of the CreditCare Project team, along with details of the staff, can be found in Appendix 1.

8. The Local Government Connection

The CreditCare team resolved not to indulge in ‘bank bashing’. This was seen as ‘one of the golden rules of marketing - you don’t sell your product by continually making references to the competition’. Instead, they decided to sell the benefits of self-help, credit unions and co-operation. There was no precedent, so when Genovese handed field officers a list of ‘no bank’ towns, it was a case of starting from scratch.

CreditCare officers began by researching towns with populations ranging from 200 to 5,000. They discovered approximately 600 that were experiencing financial services problems because of the loss of branch-based banking services. Staff worked long hours, involving extensive telephone work and much driving on fact-finding expeditions. Genovese cleverly engaged the media, who were very supportive, giving the program a high profile. Field Officer Tom Watson is credited with having the idea of involving local government and, in particular, town mayors, pointing to the example of the nineteenth century German mayor and credit union pioneer, Frederich Wilhelm Raiffeisen. A data base was created on a shire by shire basis, detailing the location of all banks, building societies and credit unions and pinpointing all ‘no bank’ towns.

The team launched into work, taking the initiative of contacting communities and, soon, as bank closures quickened and news of the program spread, responding to a flood of inquiries.

Over the next eighteen months or so CreditCare instigated co-operative partnerships between credit unions and more than twenty local councils. Without doubt, local government played a major role in CreditCare's early successes. The form of support councils provided varied but generally included making contact with CreditCare, organising and hosting meetings, providing rent-free or subsidised accommodation in council premises, undertaking to direct business through a credit union and extended to job-sharing, corporate banking, discounted term deposits and underwriting losses.[3]

9. An Evolving Methodology

CreditCare's innovative rural economic development methodology evolved heuristically while officers were 'running on adrenaline' in this early stanza, but was squarely targeted on commercial viability. Ultimately, a credit union was a business and if it was not viable and went out of business it could serve no one. Surveys of potential business for prospective hosts were, therefore, of utmost importance. The model was carefully designed to neither directly fund nor subsidise the establishment of credit union branches or agencies. Rather the program provided resources to assist communities *themselves* discover the means of re-establishing financial services utilising existing resources, and link these with a host institution. CreditCare's maxim was that it was in a community not simply to *help* but to help a community *help itself*.

Essentially CreditCare's economic development plan involved researching a town's situation, getting a campaign going, assisting the establishment of a task force, gathering information on community resources, addressing public meetings and, if authorised by a community, undertaking a more detailed study assessing the potential viability of a financial service. That is, the evaluative process involved working closely with communities to assess their real capacity to support a viable financial facility and to develop business plans underpinning this.

Field workers, carefully selected for their individual talents and group expertise, employed high-level liaison skills in responding to community groups and

[3] Correspondence Tom Watson, Margaret Lester.

encouraging the innovative use of such infrastructure as existed. Drawing on CUFA experience in Pacific Island and ATSI communities, their development style was culturally sensitive and appropriate, offering no single ‘package’ and no ‘silver bullet’ solutions. The research–based approach was consultative, facilitative, pro-active, receptive, empowering and, above all, community-focused and flexibly adapted to suit each community’s unique needs. It was about communities themselves *influencing* outcomes. In order to gauge a ‘no bank’ town’s actual financial services needs, field officers might first simply walk or drive about, observing and making contact with community leaders to discuss the situation. They might then door-knock in randomly selected streets and talk to other community groups with a view to getting a campaign going. Field officers typically would work with a council to establish a task force and assist in gathering information on community resources and needs e.g. real business prospects, probable spin-off effects and possible government or other community usage. They would conduct further surveys and study the history of a town’s downturn and its regional location to inform a prospective host. Operating on the ‘not one size fits all’ principle, surveys checked the needs not only of businesses but other important groups in the community, including the elderly and children. Field workers would help to organise meetings and make presentations at them, liaise details with prospective hosts and participate in the launch of a new institution.

Such painstakingly gathered information conferred low search costs and deep, local knowledge benefits freely upon a prospective host and was instrumental in developing business plans matching the kind of services a town required with an appropriate institution, normally, but not always, a freestanding credit union branch. For instance, a credit union agency might be set up in council chambers, with council staff conducting credit union business on a commission basis. After 1997, other models were developed for the delivery of services in addition to financial services. These are discussed in Section B.

It was sometimes difficult to ‘spot’ a town where a CreditCare institution might be applicable and, most importantly, viable in the long term, but normally there would be some indicators. Numbers attending a town meeting and responses to surveys were a general guide, but not always. The timing of the intervention was important – some long-suffering centres, characterised by a grim resentment, or where apathy had grown, or new business habits had become entrenched, were often infertile ground for CreditCare's activities. Sometimes, CreditCare would decline to assist; not convinced an operation would be viable; or officers might fail to attract a suitable host institution, and recommend alternative action. Very occasionally, CreditCare officers would be run out of town by vested interests.

Over time, field officers developed a 'sixth sense' in discerning factors which might suggest success including:

- cohesive community spirit,
- supportive council,
- gifted leaders,
- confidence and community pride which attracts assistance,
- record of achievement in the community (social capital),
- balanced demographic profile,
- 'can do' attitude,
- desire to have control of one's own destiny,
- ethos of self-help,
- appreciation of the past,
- positive economic outlook, and
- a vision for the future.

Gradually the development model was refined into four basic steps:

Step One: Contact community leaders and/or the CEO of a shire council and:

- seek support for making a presentation on CreditCare to a meeting of council, or
- respond to a request from community representatives who wish CreditCare to work on behalf of their community.

Step Two: Meet with the community to explain what credit unions could offer and CreditCare's role.

Step Three: Survey the community/communities to establish as precisely as possible what level of support they would give to any proposed credit union operation. This might include seeking an ‘in principle’ commitment from a council about the support it would provide, both financial and practical.

Step Four: Undertake an economic evaluation based on the results of the survey and report back to the council/community on the options CreditCare saw available. These could include:

- establishing a credit union agency;
- establishing a credit union branch;
- working with the community to establish a new credit union;
- an education and training program on EFTPOS and telephone banking.

CreditCare’s involvement did not end with launching an institution. The team continued to provide on-going support and follow up, maintaining a close working partnership with institutions they helped to start. They would return to centres to prepare progress reports, maintain two-way communication, provide support affecting the process of change and furnish financial advice and new information, for example, concerning the suitability of new IT systems. They might encourage marketing initiatives, help to find solutions to problems between the partners and encourage additional community support. Where required, training and help with accounting and reporting procedures and ideas for campaign strategies to achieve additional services tailored to a community were made available. The team participated in developing new products and services information, including guides to local government lending and security, dealing with small business, managing real estate trust accounts, assessing commercial lending options and running joint marketing programs with partners. CreditCare officers also fostered and maintained contact with Local Area Committees, set up in most centres to channel local input into a host institution. Some hosts would take Area Committee advice very seriously and design new products for specific needs, while others might simply feed information into a pool, to be handled generically by middle management. In this loop CreditCare field workers were perceived to be neutral players, impartially assisting a conversation between local members, local managers and a host institution’s executive. CreditCare also established a working party of representatives from supporting credit unions to critique the program's processes and act as a 'think tank'. These helpful interventions provided vital support and information for new managers in towns, supporting stable, confident growth.

CreditCare's subtle and responsive community-centred approach introduced to many towns a facilitative, 'self-help' method of economic development, which communities accustomed to 'losing' to outside forces had not encountered before, at least in living memory. The technique helped to build trust and became a benchmark for other community-centred programs, for example the Commonwealth Government's Rural Transaction Centre Program (discussed in Part B).

10. Participating Credit Unions

Notwithstanding CreditCare's sophisticated methodology, only a handful of credit unions actually participated in the scheme. Certainly, some were very enthusiastic and willing to consider sponsoring a branch or agency anywhere their bond of association permitted, but, finally, only sixteen credit unions formed partnerships with towns. In the prevailing regulatory and market conditions, credit unions were extremely cautious and CreditCare was required to establish meticulously beyond all reasonable doubt the viability of a proposed branch or agency. This was a lengthy and sometimes frustrating business. Credit unions participating in the program over time included:

> **New South Wales**: Albury-Murray Credit Union; Holiday Coast Credit Union; Horizon Credit Union; New England Credit Union; Orana Credit Union; Peel Valley Credit Union; Upper Hunter Credit Union; Wagga Mutual Credit Union.
>
> **Queensland**: Credit Union Australia; Electricity Credit Union; Queensland Country Credit Union; Queensland Teachers' Credit Union.
>
> **Victoria**: Advantage Credit Union; Enterprise Credit Union; WAW Credit Union.
>
> **Western Australia:** United Credit Union.

Although CreditCare was set up to operate nationally and all local governments received information about it, most activity was concentrated in New South Wales, Queensland and Victoria. The reasons for this appear principally to relate to the different histories and presence credit unions occupied in various states and territories and varying levels of interest (and capacity) in credit union movements in the states. The fact remained, however, that the national reach of the program was limited.

11. The Credit Union 'Difference'

In CreditCare's early growth phase the conventional credit union model offered communities a practical 'face to face' financial services' alternative to travelling out of town to conduct banking, or to impersonal technology. Also; and this was a real spur in the early days; by installing a credit union, communities could extract 'revenge' for a bank's betrayal of a town. Whether responding to a community's request for assistance or initiating a project, CreditCare institutions were perceived to be friendly 'champions' who cared about people first and about achieving profits second. Credit unions were conceived of as 'not for profits' providing services for members, rather than 'for profits' simply selling services to customers and abandoning communities when profits fell below benchmarks. In some communities, even where credit unions were unknown, the institutions were identified as part of a local 'co-operative' culture; part of a traditional 'country' way of pulling together to overcome adversity. This was all the more remarkable as most participating credit unions had roots in urban or industrial settings and little or no experience in small towns. CreditCare provided a platform for co-operation linking communities across cultural and geographic divides.

12. A Mutual Educative Process

These innovative urban-rural co-operative relationships involved a sort of 'mutual educative process', with community educating institution on service needs and local cultural norms and institution educating community on the disciplines of commercial reality and the responsibilities of membership. Each moulded the behaviour of the other to some degree, with CreditCare performing as neutral agent and 'glue'.

Specifically, a credit union was required to educate a community about the range of products and services available, the peculiarities of co-operative structure, the responsibilities of membership and give assurances of stability and commitment. Sometimes the 'co-operative' message was difficult to get across; to convince new members unversed in such things that they were actually the *owners* of an institution. Credit union managers also needed to tactfully convince a community that the institution was not a charity but a business; not simply a cash dispenser; and was unable to respond to unreasonable demands, for example, large coin exchanges near close of business without prior notice. Equally, managers trained in the realities of commercial imperatives and taught to think of the interests of *all* members, had to 'discipline' individualistic behaviour, for example imposing limits on loans and instilling a sense of institutional responsibility. There were also regulatory constraints on credit unions and occasionally, heightened community expectations would be disappointed; especially in centres of primary industry, where credit unions had limited application (see pp. 35-38, 90, 94-95).

For the community's part, townspeople were required to educate a credit union on the financial products and services required and the institution's expected role in the community. Sometimes, this did not sit easily with a credit union's functions, which could not be everything to everyone. On the other hand, it was unwise for a credit union not to change the range of products and services available in response to altered local demand. For example, community feedback through a Local Area Committee might see the extension of opening hours and the introduction of new services (such as an ATM), even though these, strictly speaking, might be difficult to justify commercially – the needs of members would prevail over textbook economics. Townsfolk respected that and member owned institutions ignored local influence at their peril.

13. A Co-operation of Democratic Partners

It is interesting to note in this context that CreditCare's Commonwealth-CUSCAL partners, and the state governments, councils and 'host' institutions which helped them, were all democratic institutions in the business of providing services to constituencies on a one-person, one-vote basis. In this theoretical framework, CreditCare partnerships were 'natural' relationships in which communities could moderate the behaviour of other stakeholders through the exercising of a vote. Through CreditCare, communities were empowered in some small but direct way to deal with an overarching sense of powerlessness then afflicting townships weathering the extremes of economic rationalist policies. This meant something to communities used to 'losing'. At a practical level, decisions reached by CreditCare institutions, which were ultimately business-related, could conceivably accommodate community aspirations, more so than a purely profit-seeking model. Indeed, there is some anecdotal evidence of this. Managers interviewed for this study observed that business decisions in which they were involved were not always economically 'rational' (for example, a product in a town really too small to sustain this) and could produce some 'heartache' between the partners and take longer to reach than management wished. Indeed, credit union history amply illustrates the slowness of vital business decisions arrived at democratically and how the process can be emotive and produce unorthodox results but, equally, history suggests that decisions so arrived at have a high likelihood of being both culturally appropriate *and* economically viable. It is reasonable to say that the blending of economic imperatives and community aspirations achievable through the CreditCare program; so empowering communities; issued from the fact that a credit union is a democratic 'self-help' institution whose primary purpose is service to member-owners, not profit in pursuit of self-interest. In this way, CreditCare's methods and the institutional model underpinning the program in its first stanza of growth simultaneously enriched a community's economic, social and democratic traditions.

There may be another historical sense in which CreditCare enriched the democratic fabric. While no formal convocation of stakeholders existed; apart from the Commonwealth-CUSCAL joint initiative board; CreditCare's informal network of partnerships was redolent of that elusive dream of the Australian co-operative movement – a 'Co-operative Union' of democratic institutions joined in an equitable 'Co-operative Commonwealth'. There is no suggestion that this was deliberate, however, only that the feint outline of the chimera existed, though scarcely guessed at.[4]

14. Trust, Alliances and Community Investments

In addition to state and local governments and credit unions, CreditCare forged alliances and productive working relationships with a wide range of entities, including:

- business groups and the Chamber of Commerce;
- farmer and professional associations;
- parents and citizens associations;
- tourist club and progress associations;
- departments and government agencies, e.g. CentreLink;
- politicians and bureaucrats;
- local development authorities;
- other non-bank financial institutions, including building societies;
- Primary Industry Bank of Australia (RaboBank); and
- major banks and regional banks.

None of these relationships would have been possible without the intervention of gifted and astute CreditCare field officers. As noted above, there was no 'blanket' approach - no two communities were identical. What succeeded somewhere could well be inappropriate in another centre. Indeed, many communities were very cautious at first about CreditCare's intervention; made cynical by bitter experience with outsiders 'bearing gifts'. Typically, this would convert to enthusiasm once a community came to realise that CreditCare was actually going to do something practical to assist in solving problems, and trust grew, vital in securing community investments, which included:

[4] Discussion Mark Genovese; Gerry Collins; Aafke Barkland; Gary Lewis *People Before Profit; The Credit Union Movement in Australia,* Wakefield Press, 1996.

- 'peppercorn' or free rent provided by residents, businesses, employers, councils, well-wishers or community groups;
- shared premises e.g. government agencies, council chambers, community centres, stores;
- donations of volunteer labour, materials, expertise and other contributions in cash or kind;
- job-sharing arrangements or community-service partnerships e.g. local professionals forming a 'community service partnership' to run a credit union facility;
- undertakings to direct business through or make deposits or lines of credit available to a credit union;
- local employers underwriting establishment costs or agreeing to underwrite a credit union's losses in its establishment phase;
- a state government (Queensland) willing to enter into a commercial arrangement with credit unions to create a 'one-stop-shop' for government and financial services; and
- lobbying to remove regulatory impediments affecting credit union operations.

15. Early Successes 1996-1997

What began as trickle of interest developed into a flood, particularly in the second half of 1996, when over thirty rural-bank branches were closed in the space of a few weeks. All sections of the media were now widely reporting on CreditCare's successes. While previously contacts with communities had been on a 'cold call' basis, communities were contacting CreditCare in numbers. For much of 1997 the CreditCare team was literally run off its feet as community after community sought assistance and it was necessary to prioritise and confine efforts to towns with the greatest need and prospect of a 'host' achieving viability. Inevitably, some communities faced delays in receiving attention and were disappointed. Discussion below considers some highlights of this flourishing period.

- **Georgetown**

In March 1996 CreditCare scored a major success involving councils when a branch of the Cairns based Electricity Credit Union (ECU) was opened in the offices of the Etheridge Shire Council in Georgetown (population 500) in far north Queensland. This facility existed to service the Georgetown, Einasleigh, Mount Surprise and Forsayth regions. CreditCare field workers had earlier contacted the relevant councils to ascertain the community's financial needs. A meeting with community leaders and councillors followed as well as a public meeting which unanimously supported a survey of residents. In November CreditCare field workers surveyed the community and a business plan was developed and presented to the council and the credit union. This was accepted in principle and the council approved the plan but the wet season temporarily interrupted progress. Following this delay the credit union board accepted the proposal and a branch opened. Later, both credit union and town library were housed in a former bank building, with the credit union managing the library, open five days a week. CreditCare's success in brokering this arrangement greatly boosted the team's confidence.[5]

- **Werris Creek**

When in 1996 the last bank closed in Werris Creek, a community of 1,500 people some 400 kilometres south of Tamworth in northern New South Wales, one-third of the population rebelled against the closure. They deposited more than $1 million with a new Peel Valley Credit Union branch in the town rather than transfer accounts to the bank's branches in other townships. Within a month the credit union had 365 members, $1.3 million in deposits and $321,000 in loans. The development had begun in February when a CreditCare field officer contacted the head of the local Economic Development Association after hearing of the closure. Discussions with the local member and two councillors from Parry Shire who lived in the Werris Creek area led to a public meeting, which decided that a survey should be distributed to determine support for a credit union. A survey was distributed to Werris Creek residents and the response was positive. A proposal was prepared and the CreditCare team met with

[5] CreditCare *Third Report* July 1999.

credit unions in Tamworth and Peel Valley to outline the situation and gather support. In March the final proposal was presented to the Peel Valley Credit Union at a specially convened council meeting and jointly endorsed.

- **Mungindi**

When CreditCare approached the New England Credit Union (NECU) in July 1996, about setting up a branch at Mungindi, the future at first looked bright. The credit union's general manager confirmed his interest and 200 residents pledged support at a public meeting in the Moree Plains Shire Council. CreditCare conducted a survey producing over 300 responses, a very high rate. A draft submission was sent to the credit union and the local media ran stories heralding the establishment of a credit union branch. NECU unexpectedly rejected the submission because of a heavy workload associated with regulatory changes and the recent opening of a branch elsewhere. Submissions to two other credit unions were also declined, citing the town's remoteness. CreditCare, with backing from local state and federal members of parliament, again contacted NECU urging them to reconsider. In a show of support, about eighty Mungindi residents travelled to Moree to open accounts with the credit union. NECU personnel then met with Mungindi's business community and after the local baker offered the former bank building, which he had recently purchased, to the credit union at a reasonable rental, the credit union accepted. In December, the Mungindi branch of the New England Credit Union opened its doors (three days a week). (For further discussion, see Part Three, pp.123.)

- **Delegate**

In September 1996 Piccol Community Credit Union, then the largest credit union in Victoria, opened a branch in the southern New South Wales town of Delegate (population, then 500), seven months after two banks moved out. When the Delegate community learned that one bank, which had functioned in the town since the 1880s, was closing, it was seen as the 'final straw'. People were angry and upset. Caught in a protracted drought with wool prices collapsing, the timber industry in decline, the future of the post office in doubt and families leaving, town morale plunged. Business began draining to Bombala with people travelling the thirty-eight kilometres to that larger town for banking and shopping.

CreditCare Field Officer Cathy Fortescue contacted the Delegate Progress Association (DPA) offering to help. Members of the DPA assisted with a CreditCare mail-out to gauge interest, which was reported by the television program *Current Affair*. The community was divided on the program's treatment (the 'down and out' town) and some residents were concerned about institutional stability (pointing to the Pyramid Building Society collapse in 1990), but CreditCare's Cathy Fortescue addressed a well-attended public meeting. There was great disappointment, however, when the Cooma-based Snowy Mountains Credit Union declined the invitation to establish a branch. More meetings were held. DPA members drummed support and placed signs in windows: 'Do you want your town to survive?' By now, people were growing tired of travelling to Bombala and were listening. Piccol Credit Union sent representatives and further meetings were held in the Country Club. Piccol agreed to open a branch if $1 million of business could be guaranteed within twelve months. Support was found in seven weeks! A DPA deputation of thirty very determined residents, mainly women, crowded into the small Bombala Council chambers 'persuading' councillors to invest about $5,000 towards the credit union's start-up costs. Wrestling with a large debt and wracked by internal politics and personality issues, this was not so easy to achieve, but residents got their way. The credit union then arranged appointments with residents to open accounts. About 95 per cent of the local community committed to the new financial service![6]

A local woman who had bought the old bank building agreed to rent it to the credit union at a reasonable rental. A working-bee of about thirty people was organised, painting and refurbishing the premises and digging trenches to install communication cables. A local sign writer proudly painted the credit union's name on the old bank building.

[6] *Bombala Times*, 21 August 1996.

The opening day in September 1996 was one of the coldest in memory. Nevertheless, a big turn out of more than 100 people attended. The community broke out in song, singing ‘For she’s a jolly good fellow’ to Cathy Fortescue. The school captains held a ribbon as DPA President Natalie Armstrong cut through it, symbolising that the credit union was open and belonged to the community. School children sang the national anthem and ‘We Are Australian’ and were presented with prizes (credit union accounts) for the best poster competition. The council presented the cheque for $5,000 and politicians performed. Sample bags were distributed, with money saving boxes, drinks, lollies and balloons. That night a pre-opening party was attended by 200 at the Country Club and the Canberra band ‘Itchy Feet’ rocked the hillsides. The whole, happy event was given wide media coverage throughout Australia, broadcasting CreditCare’s work. (For further discussion see pp. 87, 102).[7]

- **Bermagui**

That same month, as Delegate launched a credit union, in September 1996 the small New South Wales’ coastal town of Bermagui heard that its only bank branch was planning to close. The town’s residents and rural neighbours were stunned. This was the fourth such closure in the region in recent times. A councillor with the Bega Valley Shire Council, Janette Neilson, heard about Delegate’s success on ABC Radio National. She hurriedly prepared a flier and walked along the town’s main street, handing this out and inviting residents to a meeting at the Country Club that night.

About 150 turned up to the meeting, including business representatives and concerned residents, most determined to do something about the situation. Bermagui has a large retired population and, with the bank closure, many without cars could not access pensions and superannuation funds in a town lacking public transport other than taxis. Some businesses, not realising how the closure would affect them as part of the broader community, were not particularly fazed by the closure initially, with banks available in Narooma and Bega and some citing credit union rates less attractive than those available from banks. (Later, however, as business dwindled, the half-day trip to

[7] *Bombala Times*, 4 September 1999.

remote banks ceased to amuse and the absence of a bank sent poor signals to tourists and prospective residents, most came on board.)

Neilson rang CreditCare seeking guidance. CreditCare staff suggested that the town's Business and Tourism Committee organise a meeting of local councils, a local credit union and CreditCare representatives to discuss establishing a credit union branch. Cathy Fortescue visited the town and a plan of action was agreed at a meeting. She surveyed local residents, used findings to prepare a draft business plan and requested another meeting to gauge community support.

Community support was manifest but credit unions approached were sceptical, not convinced of the proposed operation's viability in a town of fewer than 2,000 people. Bermagui townspeople were bitterly disappointed. Neilson then sounded out the possibility of financial support from the council and arranged another meeting involving council representatives and the Wollongong-based Horizon Credit Union (HCU) to discuss options. The council, then caught in an administrative scandal, was 'nervous' about making a grant available to a credit union, expecting a public backlash. However, the community interpreted this as 'an investment in the future of local development' and the idea was received well. The council then agreed to assist the operation financially, unconditionally ($25,000) for the first year and similar amounts for two years thereafter, accountable. The council offer clinched the deal and HCU undertook to open a branch.

At sessions in the Country Club, the HCU organised business for the new institution, signing up people and opening accounts — about 300 members had joined even before the doors were opened in April 1997. The institution operated in an attractive, well-situated building, next to the post office. After some difficulty in finding a manager, local staff was engaged. The first manager had been a senior executive in a large corporation and brought innovative flair and high-level, human resource management skills to the task. She found some of the 'oddities' of credit union culture occasionally frustrating, particularly the abundance of paper work to meet regulatory requirements, unspoken expectations of voluntary work and the cautious, even conservative, loans policy, but enjoyed the personal involvement with people her new position allowed. Certainly, her personal approach quickly got around town and the credit union was inundated with membership applications. During this difficult establishment phase, the manager found 'intelligence' made freely available through CreditCare surveys particularly helpful, lowering information costs and helping to harness community support. (For further discussion see pp. 91, 96-101.) [8]

- **Trangie**

In September 1996 the Orana Credit Union launched a branch in Trangie, a town of 1000 people in mid-western New South Wales, after two banks pulled out on the same day! The media gave the town's plight wide coverage, airing the views of a very vocal, angry community organised in the Trangie Action Group. A CreditCare field officer found strong support for a credit union in a door knock campaign. The Narromine Shire Council pledged to cover set up costs for furniture and undertook to deposit $500,000. Local employers pledged support. A 'peppercorn' rental in the vacated bank (one dollar a year for five years) was negotiated with the assistance of the Premier, who opened the premises. Some residents, later considering the positive roll-on effects of the credit union, thought the bank closures to be the 'best thing that happened to the town'.[9]

- **Myall Lakes**

When three communities near the Myall Lakes on the mid-north coast of New South Wales heard they were to lose their last banks, bringing to five the number of 'no bank' towns in the district, there was widespread disbelief and anger. CreditCare was in the area within days. Holiday Coast Credit Union took up the challenge and in a show of community support opened branches in Bulahdelah, Stroud, Nabiac, Hawks Nest and Old Bar. These were excellent examples of co-operation between credit unions, councils, community groups and residents. CreditCare was the enabling agent.

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[8] Margaret Lester and Cathy Fortescue: *Bermagui: Progress Report,* May 1999; Discussion Janette Neilson.

[9] Discussion Margaret Lester; *Daily Telegraph* 7 September 1996.

- **Herberton**

In late 1996 the manager of the only bank in Herberton, a small town on the Atherton Tableland of Northern Queensland with a local population of approximately 1500, advised the council that the bank would be closing in December. The mayor of Herberton immediately contacted CreditCare and an officer was in the town within a week. The first step was to organise a meeting and convince the council of CreditCare's ability to deliver a range of services. CreditCare field workers conducted a survey to identify the level of community support in terms of transferring business to the credit union. The Cairns based Electricity Credit Union (ECU) was approached but the credit union decided that it would only consider requests to establish branches in small communities where a shared operator could be found and rent-free premises were available. CreditCare Field Officer Tom Watson set about looking for suitable premises, locating a refurbished building in the main street used by the Queensland Government Agents Program (Q GAP) to provide government services and information, one day a week. Approaches were made to the Queensland Office of Rural Communities (ORC) and the Department of Premier and Cabinet, which supported the concept of shared premises. The Department of Public Works and Housing, which operated the site on a franchise basis, agreed to allow the credit union to move in on a rent-free basis.

ECU opened in Herberton in December 1996, four days before the bank closed. The new institution was supported by nearly all businesses, schools and clubs in the town and became cost effective in a short time, eventually employing two people, one on a full time basis. ECU's Herberton branch became an exemplar for the aggregated services' delivery model underpinning the commonwealth's later rural transaction centre policy. (For further discussion see pp. 47-49 and Part Three, pp. 126-128.)

- **Magnetic Island**

Tom Watson helped organise many other credit union branches, including a branch of Queensland Country Credit Union (QCCU) housed in a building vacated by a bank on Magnetic Island, off the coast of Townsville. Early in 1997 the field officer received an inquiry from island residents. After arranging a meeting with the business community, organising a public meeting and contacting the media, Watson explored the island 'incognito' and appraised the situation. He found a healthy economy. Meeting with representatives from the business community, Watson tabled research explaining the economic impact of bank closures and outlined self-help philosophy. The meeting agreed to go to survey, which produced an unprecedented positive response. Watson organised meetings with QCCU, a local paper supported the proposal and a resident, whose parents came from Herberton, offered an agreeable rental in the vacated bank building. QCCU agreed, the branch attracted strong island community support and it went on to become a very successful operation. (For further discussion see pp. 89-90.) [10]

- **Dirranbandi**

One of CreditCare's most remarkable successes was in Dirranbandi, which came after an initial failure to attract sufficient community support for a financial institution. The eventual arrangement, which took well over a year to negotiate, involved joint agreements with councils, government agencies and Electricity Credit Union (ECU) to provide services *in addition* to financial services.

Dirranbandi, an isolated Queensland community with a population of around 500, had been without a bank for a decade. Residents were used to a five-hour drive to the nearest hospital and a long drive for banking and government services. With CreditCare help in 1997, ECU opened a branch in the tiny town. Under a commercial agreement with Queensland's Office of Rural Communities (ORC) the branch provided, in addition to financial services, a wide range of government services including motor vehicle registration, public housing, rent collection and applications to register births, deaths and marriages. In return for providing these services the Queensland ORC effectively paid the rent, which increased the viability of the operation. The ORC also provided and installed electronic equipment necessary for the agency to deliver government services (too remote for a Telstra line!) and trained credit union staff. Later, the Queensland government gifted the old stationmaster's house to the operation. The Dirranbandi branch became a prototype for the credit

[10] Correspondence Tom Watson.

union ‘Member Services Centres’, based on an aggregated services delivery model, which helped to shape the later rural transaction centre program. (For further discussion see Part Three, pp. 128-132.)

- **Dayboro and Blackbutt**

In November 1997 two more councils entered into agreements with ECU. Pine Rivers Shire Council, one of Queensland’s largest local government authorities, in partnership with the credit union, opened a Member Services Centre to provide a full range of banking services to residents and the business community in the Dayboro district. Dayboro (population 1,500), a farming and rural residential community north of Brisbane, had been without financial services for several months. The council purchased and refurbished a ‘vintage’ bank building and ran from it a credit union, community rooms and other council services. The Nanango Shire Council also unanimously accepted a CreditCare proposal to operate an ECU Member Services Centre in their Blackbutt offices. Blackbutt, located 150 kilometres north-west of Brisbane, had lost its last bank in February. The branch set up in council premises and the council seconded an employee full time on a job-sharing basis. (For further discussion on the ‘Member Services Centre’ concept, see Part Three, pp.132-135.)

- **Kalbar**

Another interesting development involving ECU occurred in the small Queensland town of Kalbar (population 1,200), a ‘never say die’ town with deep religious traditions and a strong community spirit. This involved a council making available an underutilised community centre, rent free, and a volunteer Progress Association entering an agreement with the credit union, the first such arrangement in Australia. Refurbishment of the community centre was a joint effort. (For further discussion see Part Three, p. 135.)[11].

[11] Discussion Margaret Lester.

- **Paraburdoo**

In late 1997, the first Western Australian CreditCare branch opened in the small mining town of Paraburdoo in the Pilbara, with a population of approximately 2,000. This followed the departure of the last bank in 1996 and an extensive campaign led by the shire council, supported by local business. The council provided rent-free office space to United Credit Union, a Perth-based institution for a period of two years and a local employer undertook to indemnify losses in the establishment phase.

16. A CreditCare Progress Report 1997

By June 1997, CreditCare facilities were established in thirty-three communities with progress at various stages in another thirty. The program had created direct employment for forty people in townships and localities ranging in population from 250 to 2,500 and had attracted more than 6,000 new members from an aggregate population of 21,000, a more than 30 per cent penetration of the market. Over sixty communities had contacted the program with the vast majority undertaking to work with CreditCare in developing a solution to their problems. By the end of the year CreditCare had contacted 148 communities around Australia. Some ninety-one of these had developed business plans with a view to establishing a facility. Councils had provided tangible support in twenty-three of the towns CreditCare had assisted. In addition to those already mentioned, credit unions in towns such as Walla Walla and Moulamein in New South Wales and Eidsvold, Kilkivan and Surat (see Part Three, pp. 132-135) in Queensland were either located in council offices or in council-owned premises.

In addition to institutions in the CreditCare program, credit unions independently had commenced branch operations in Bingara and Bonalbo (New South Wales), Miriamvale, Boulia, Julia Creek, Collinsville and Weipa (Queensland) and Arnhem Land (Northern Territory).

There were reasons to believe that CreditCare institutions were having a positive 'spin-off' effect on community confidence and some hard evidence of this was found in a University of Southern Queensland Centre for Australian Financial Institutions

(CAFI) study in 1998. (see pp. 95). CreditCare received a High Commendation in the Prime Minister's 1997 Awards for Innovation in the Public Sector and achieved recognition at the triennial World Credit Union Congress in Vancouver in July 1997.

In terms of its official recognition, this was the program's finest hour.

17. Factors for Success

Explaining CreditCare's early success Field Officer Marion Granich said that it was a function of the fact that credit unions were focused on people and that banks looked for a much higher rate of return than credit unions. The reason credit unions were successfully moving into rural areas was that they were member-owned and did not covet the high profits demanded by bank shareholders.

Tom Watson, whose fieldwork in Queensland was instrumental to success, believed that events were driven in each instance by a combination of:

- a supportive council;
- a determined community action group;
- the rebirth of local community spirit; and
- a conscious decision to embrace the concept of self-help.

Other CreditCare field workers noted how the bank 'betrayal' had engendered strong community spirit in towns and how a bank closure in a town symbolised to residents a lack of confidence in the local economy, which had far-reaching social, economic and emotional implications. Credit unions had tapped deep loyalties in taking up the community cause. They were seen positively as an alternative to impersonal technology and were thought of as friendly, caring institutions. Common themes seemed to be a preference for face-to-face services and resistance to telephone banking. ATMs and EFTPOS were still not widely available and Internet unreliable, with the low quality telecommunications infrastructure existing in many towns. Many rural communities were familiar with co-operatives, which were seen as a part of a local identity and relevant to rural culture. Others, not so concerned with 'philosophy', were simply impressed by the ability of credit unions to get the job done and their willingness to help. Unquestionably, the program had achieved greater acceptance in communities where it was still possible to motivate residents to 'stand up and fight' and experience clearly showed that it was better for CreditCare to move into a town affected by a bank closure, sooner rather than later. In communities where apathy reigned, a sense of resignation to matters perceived to be out of their control made the task very difficult indeed.

CreditCare's success was seen as a reminder that the credit union movement still took its mission of social responsibility seriously and was capable of producing innovative solutions to consumer finance problems, as it had always done.[12]

Pointing to the Dirranbandi, Dayboro and Herberton examples, where a 'mix' of services was required, field officers reached the conclusion that the answer for many small communities lay in *combining* financial services with a range of other services – an aggregated services' model. This model both enhanced economic viability, by allowing access to various income streams, and provided a nucleus for the delivery of government and other services. But would the credit union movement get behind the idea?[13]

18. CreditCare 'Failures' and Odd Bedfellows

As noted earlier, CreditCare was unable to help all communities, which sought assistance, for the practical reasons of limited resources and because some communities were too small to be able to afford a viable operation. Field officers were occasionally obliged to suggest alternative strategies, withdraw unable to help – or, very infrequently, 'run out of town'.

It is salutary to note that well intended 'social entrepreneurs' are not always welcome. For example, after visiting Werris Creek in early 1996 Field Officers Tom Watson

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[12] *CreditCare News,* November 1997.

[13] Tom Watson, Background Briefing Paper on CreditCare, August 1997; CreditCare *Third Report*, 1999.

and Cathy Fortescue travelled through the Balonne, Paroo and Bulloo Shires, visiting Talwood, Toobeah, Dirranbandi, St George, Bollon, Cunnamulla and Thargomindah. Watson recalls:

> *At one town, we were filling up with fuel the morning after our public meeting when the garage owner sidled up and said, "We business people had our own meeting after yours last night and we've got a message for you. Leave and don't come back". I interpreted that to mean "We've got this place sewn up and we don't want you coming in and screwing things up". So much for having the interests of their community at heart. And we haven't been back ... yet.*

In communities where CreditCare was unable to help, where possible, field workers would return when invited or when circumstances permitted to review the situation. Reflecting upon CreditCare's 'unfinished business' in Ravenshoe in northern Queensland, Tom Watson relates:

> *... I received a call from the Chamber of Commerce in Ravenshoe. They had recently lost their Commonwealth Bank, still had the NAB – with reduced staff and reduced hours – but wanted another institution so they could once again have a choice.*
>
> *Both Mark Genovese and I were unsure how to respond – our brief was to assist 'no bank' towns – but after much soul searching, we decided to go ahead. A public meeting was called and attracted a reasonable attendance, among them the former [bank] manager and the new manager of [a bank].*
>
> *One voice of protest at our presence was raised and the meeting agreed to go to survey. That was when things got a little heated. I received some very pointed mail telling us in no uncertain terms to do nothing which might chase "their [bank] away". With the Local Government elections looming, the issue also became political.*

Prudence prevailed. We withdrew.

Watson relates another story concerning Wandoan. In September 1996, at the invitation of the Taroom Shire Council, a public meeting was held in that town to establish what interest the community had in working with CreditCare. They had lost their last bank in 1994:

Some 50 residents attended, along with two representatives of the Heritage Building Society, who had an agency with the local newsagent. The meeting agreed to go to survey and I got started on our media campaign, to build support. The Council agreed to distribute the survey, as the [local post office] was openly hostile.

From the media coverage came an offer by South West Power, who were planning to build a new regional office in Wandoan, that if we could attract the Electricity Credit Union (ECU), they would provide free accommodation. The only difficulty was their new building was eighteen months away.

The survey results were modest, but not unexpected, given the town had been without a bank for two years. People had made other arrangements. But we persisted and a proposal was placed before the Council, which in essence said, if they would provide temporary accommodation pending the building of the South West Power facility, ECU would open a branch. The proposal also asked Council to place a long-term deposit with ECU for $500,000.

Council accepted the proposal and together we set about the task to find suitable premises. We settled on the former premises of one of the large wool houses and the Council made plans to place some if its own staff in the building for a joint operation with ECU. We were ready to roll.

Then along came the Local Government elections. The Mayor and half the Councillors lost office, the new Council reversed all the decisions of the previous Council and the whole matter came to a grinding halt…

Sometimes painstaking fieldwork produced no results. For example, nothing came of a proposal to start a branch in the Brisbane suburb of Sherwood. Fieldwork in the Torres Strait was stubbornly inconclusive. At Yandina, notwithstanding the absence of a bank, CreditCare work fizzled and the community entered a franchise agreement with a regional bank. On Stradbroke Island, after CreditCare received a strong response to a survey, Tom Watson thought it a better prospect than Magnetic Island. The nominated credit union pulled out, however, and the project's credibility 'nose-dived'. Watson approached the Queensland Office of Rural Communities (ORC) exploring the possibility of an aggregated model and it was agreeable. Still CreditCare was unable to get a credit union to commit. A building society was approached but was not interested and the matter remained inconclusive after three years' effort despite excellent conditions for profitability. In another example, when CreditCare moved to assist in Cunnamulla, following rumours of a bank closure, the shire council failed to publicise a meeting and it turned out to be a 'dud', with only nine attending. After further meetings, the bank decided to stay.

Often CreditCare would advise staying with a bank. For example, a public meeting at Injune, Queensland, was told that a bank was still operating in the town and that townspeople might prefer to support this. The bank was encouraged to stay. The Woodford and Deception Bay communities were also advised to stay with a bank. At Mirani, CreditCare recommended an agreement with a permanent building society.

19. Obstacles and Early Problems

While most councils were keen to be seen to be assisting solutions to a serious problem in 'no bank' towns and were helpful in this early phase, not all were. Some were openly hostile. Other real and perceived obstacles impinging upon CreditCare's progress in the two years to 1997 included:

- limited resources, given the national scope of the project;
- start-up cost disincentives for communities and host credit unions;
- loans conditions generally unsuited to primary industry and to local business;

- banks ‘creaming off’ profitable business leaving credit unions with expensive ‘transaction’ business;
- inability of credit unions to attract lucrative business banking and mortgages from ‘loyal’ supporters of major banks;
- unrealistic expectations of communities;
- perception in some quarters that credit unions were ‘community ‘ organisations and not ‘economic’ institutions;
- regulatory and institutional factors adversely affecting credit union commercial operations (discussed below);
- the complexity and labour intensive nature of matching a host institution with a community;
- enlisting variable credit union movement support in a period of uncertainty; and
- self-interested individuals and groups inclined to subvert and obstruct.

Another early problem involved bringing a decisive line to a commercial operation, in which commonwealth departments had different and sometimes competing priorities, but these were eventually ironed out. A board of three formed including CUSCAL and departmental staff, which met quarterly and reported twice a year, noting milestones, and including operations manager and field officer reports, audits, media reports and other performance indicators. Generally, relations between the partners were harmonious and productive in this early period.

20. Regulatory Impediments

One of the more awkward problems facing CreditCare was the regulatory framework in which credit unions operated. When John Howard’s Coalition swept Labor from power in the 1996 federal election, the new government immediately flagged further, radical reforms to the financial system, appointing the Wallis Committee to examine the progress of industry deregulation and to make recommendations for improved efficiency, competitiveness and flexibility. The Wallis Report (March 1997) observed that the existing regulatory structure, which included separate arrangements for banks and NBFI, had ‘failed to deliver uniformity, cost efficiency or regulatory neutrality either across industries supervised or with competitors in the wider financial system’.

It concluded that ‘building societies and credit unions have been innovative in the provision of financial services and are capable of increasing market contestability and providing greater choice’ but that the current scheme did ‘not lend itself to this role in the future’. The inquiry recommended the transfer from state and territory governments to the Commonwealth Government of regulatory responsibility for NBFI.

Only slow progress was made in implementing Wallis recommendations over the next eighteen months, however, and, in the interim, NBFI remained at a competitive disadvantage. A CUSCAL spokesperson told the Hawker Committee Inquiry into Alternative Means of Providing Banking and Like Services in Regional Australia (discussed at pp. 45-47) that delays were having significant commercial consequences for credit unions, which were impacting upon the CreditCare program. CUSCAL submissions identified three matters affecting the capacity of credit unions to deliver banking services in regional Australia:

- stamp duties on transfers of home loans operating as a disincentive to refinancing and diminishing competition;
- commercial practices favouring or mandating the use of bank cheques in property settlements;
- debit taxes paid by local governments on transactions through non-bank institutions.

CUSCAL Public Affairs and Governance General Manager Dave Taylor told the committee:

> *We have a regulatory system which most in the community are totally unfamiliar with. By contrast banks currently have a privileged place in our regulatory system. They are regulated by the Reserve Bank and so people think they are special. People think that they are safer than credit unions despite what the informed may understand. So despite the users of credit unions being extremely satisfied with the services they are provided - and we see this in many surveys that we do and in independent surveys - some people*

choose to stay with other institutions regardless of their level of satisfaction with them.

CreditCare Operations Manager Mark Genovese said that when banks pulled out of towns they took 80 per cent of business with them. Regulatory impediments acted as a disincentive, because people were unable to move loans easily, especially when there was no one left in the town to compete with a vacating bank. Genovese also observed that banks took the best of the market by offering incentives to farmers to stay with them.

> *We are finding that with the legislative problems that we have as well we cannot offer a competitive product to those farmers so we are going in there and we are getting the mum and dad banking, the business that the banks do not want - the $1,000 in the savings account, the cheque account, the ATM card, the small personal loans or whatever they might have. We are trying to provide these sorts of services with a similar type of service level without getting the big licks of business that we need to make the thing commercially sustainable in the long term.*

CUSCAL was also concerned that the capacity of credit unions to provide services in regional Australia would be threatened by the government's proposed GST 'input taxing' proposal. According to this, financial services would be required to pay GST on inputs. Unlike all other services, with the exception of residential rents, however, credit unions would not be able to deduct the cost of this tax from GST collected from customers. Modelling work on potential costs across the credit union industry estimated costs would be approximately $40 million. CUSCAL argued that credit unions would incur a disproportionately higher increase in input costs than their major competitors, the banks, disadvantaging the former. The additional tax impost would result in credit unions either increasing prices or withdrawing from less profitable activities such as services to regional and remote communities. The implications for CreditCare were obvious.

The Local Government Association (LGA) told the Hawker Inquiry that NBFI presented a real banking alternative and that the association strongly supported them. But the LGA also noted that community participation in the CreditCare program was limited by the degree to which institutions could undertake a range of standard banking activities. Examples were credit unions' inability to issue cheques in their own name, requiring agreement with a bank; regulated overdraft conditions unsuited to farmers and regulated loans-assets ratios, affecting commercial lending, which made them unsuited to primary industry. The LGA confirmed that bank account debit taxes payable by local governments and other exempt account holding institutions on transactions through NBFI were problems. It was unreasonable that NBFI should pay stamp duties on mortgages transferring to institutions, which were establishing in a rural area to replace closing bank branches. Local government councils were in a position to leverage NBFI operations by transacting business through rural branches, but not while regulatory impediments prevented this. This was especially so as normally local government absorbed 'up front' costs in establishing a branch. The LGA urged the government to urgently implement Wallis Report recommendations.[14]

21. Credit Union Ambivalence

While credit unions in general were happy to bask in the reflected glory of popular sentiment and positive media coverage which CreditCare was attracting (generating much valuable, free publicity), and with 'not a door in parliament' closed to credit unions, opinion about the project was far from unanimous. Bearing in mind the democratic nature of the credit union movement, this is hardly surprising.

CreditCare research showed that many towns were incapable of supporting a credit union branch or agency even with the lower returns demanded by societies. Some felt that unreasonably raising a community's expectations in these circumstances and 'disappointing' by ruling out a facility as not viable, produced adverse affects. Moreover, some communities simply did not want assistance, or a credit union. Why intrude? Habits had already developed in some places of driving out of town to do

[14] Hawker Report *op. cit.* pp. 37-38, 41; General Assembly for Local Government Conference, November 1996.

specialist shopping and business in larger regional centres. Why interfere? CreditCare was wasting time and resources in such situations. While the onus for success was upon communities, credit unions had ultimate responsibility for controlling costs and setting realistic goals. There was potential for a backlash in this. An embarrassing press report told of a ninety-two year old man who kept his money under a bed because he was ineligible to join a credit union, not having a driver's licence or a credit card to prove his identity.

How could credit unions succeed where banks had failed? They hadn't 'failed', the counter argument ran; they couldn't make *enough* profit; credit unions served a different motivation. Some were concerned that institutions seemed to be attracting the 'unprofitable' end of the consumer finance market - costly transactions. Indeed, new credit union members in the CreditCare program had deposited $45 million with host credit unions and taken out loans totaling only $13 million. Sceptics pointed to this imbalance in raising doubts about the scheme's long-term viability. Indeed, many credit unions, dealing with narrow margins, were already introducing unpopular fees and other 'loyalty' criteria. The viability of a facility in small towns was contingent upon borrowers and members utilising a credit union's full range of business services, including mortgages. They were not doing so. What future was there for credit union branches in small towns? Why wasn't the program targeting larger towns where branches had some real prospect of success? Credit unions should be attracting 'more valuable' members, not just simply 'numbers' but borrowers and investors. Patience, supporters said - the loans would come, if encouraged over time.

Indeed, credit union branches or agencies in 'no bank' towns usually had a ready savings market, but not a 'captive' market. They often experienced fierce competition from departing banks increasing marketing efforts just before announcing a closure. Banks sought particularly to 'lock borrowers in' by offering attractive interest rates on loans. Business owners, in particular, were used to being wooed by the banks and often expected a credit union to be more competitively aggressive to attract their business. Many elderly people, who had banked with a particular institution all their lives, remained 'loyal' to that bank for major banking purposes and used a credit union only for simple transactions.

While some in the movement argued that every credit union with sufficient reserves should support at least one community or town as a social responsibility project regardless of whether the community was in their membership area, others maintained that appropriate conditions should exist to ensure profitability. The decision to launch CreditCare was seen by some as a 'top down' strategy, lacking adequate consultation. Why was the credit union movement involved in a joint initiative with government in any event? Was it a credit union development program or a community development program? What did urban-based credit unions know about rural conditions? A CreditCare credit union branch had been forced to close in Rosedale Victoria, following a merger. What did this say to a community about 'trust'? What were credit unions doing 'in bed' with banks - PIBA, BankSA and Bendigo Bank– the 'enemy'? Some alleged (after 1998) that Bendigo Bank franchises were benefiting from CreditCare groundwork in places like Mirboo North, Minyip and Rupanyup in Victoria. According to one version of events a host had not responded to community interest in Victoria in starting a credit union and according to another, the community decided to launch a community bank after CreditCare had done the research and handed this over. Indeed, a range of new financial service models was becoming available, including community banks and bank franchises, providing greater choice and diminishing CreditCare's purpose. Some credit unions were also independently forming alliances with Australia Post's giroPost, sharing ATMs with other institutions and innovating to meet changing demand. That is, they did not require CreditCare and were moving more to an autonomous, technologically led approach tailored to local need and away from a nationally affiliated, traditional 'bricks and mortar' configuration. Moreover, the whole question of 'branches', potentially 'poaching' members, was traditionally a thorny one in the movement. No practical progress had been made in South Australia or Tasmania. Indeed, elements of the South Australian credit union movement were hostile, actively resisting CreditCare moves to broker branches in that state, notwithstanding community support in some cases. Neither had facilities yet been established in ATSI communities, although long-standing working groups had been established.

Perhaps the most worrying statistic was that still only sixteen credit unions were participating in CreditCare. Was this because institutions were preoccupied with regulatory issues and competition or an indication of a general reluctance; or both?[15]

B NEW NEEDS - NEW MODELS 1998 - 2000

If the period 1995 to 1997 was CreditCare's 'golden age' of flourishing, exhilarating growth, the period after 1998 saw the program enter a problematical phase in which it was eclipsed by rapidly changing events.

22. Additional Commonwealth Funding

The period began well enough. Following a positive Department of Primary Industry and Energy (DPIE) evaluation of the CreditCare program, in 1997/98 the Commonwealth Government committed additional funds to the initiative of $2.7 million over three years (a total contribution of $4.4 million). In a demanding schedule, CreditCare was contracted by the government to contact at least 120 local communities, including visits to ATSI and other remote communities, prepare fifty community business plans and create at least twenty-seven new 'on-ground financial services', i.e. approximately $100,000 per unit.

23. New South Wales Government Initiatives

The New South Wales Government was also supportive. In October 1997 the Premier announced a further $345,000 grant to assist CreditCare field officers to conduct feasibility studies in twenty-five New South Wales towns and a new project to assist credit unions meet small business needs (as distinct from 'community needs') in rural communities. In effect, this meant returning to sites where a CreditCare institution

[15] *Sydney Morning Herald*, 17 February 1997; *The Australian*, 24 March 1997, 10 April 1997; *Courier Mail*, 15 October 1997; *Walgett Spectator*, 22 October 1997; *Western Advocate* (Bathurst), 25, November 1997; *Katherine Times*, 3 December 1997. *The Weekly Times*, 10 December 1997; *The Western Australian*, 9 January 1998; *Sunday Times*, 14 December 1997; *The Age*, 12 October 1998; *CreditCare News*, November 1997.

was functioning and preparing reports in association with the local council and business community measuring business results, determining why other business had not been involved, making recommendations for improvement and furnishing reports to the community. It later extended to conducting surveys in towns, which CreditCare had not been able to help, to assess business opportunities and consider possible alternatives to the credit union model e.g. EFTPOS, mobile banking or rural transaction centres. Funds for the New South Wales 'business development' program were kept separate from the commonwealth arrangement with CreditCare accounts.

24. The 'Hanson' Factor

While CreditCare officers could feel secure that the program was funded for an additional three years, now a new, destabilizing element entered debates: the 'Hanson' factor.

The whole tone of national affairs was changing. A former member of the Liberal Party, Pauline Hanson, who had been forced from the party for her extremist views, took the Queensland seat of Oxley at the 1996 election, as an independent. She shocked Australia with a maiden speech in which she blamed Aborigines, Asian immigrants, and public policies allegedly favouring these groups for many of the country's problems, particularly high unemployment. Hanson called for a halt to Asian immigration, tariff protection for Australian industry and an end to foreign aid with moneys redirected to jobs creation. Her populist ideas flew contemptuously in the face of established party political wisdom.

In April 1997, Hanson formed the One Nation Party, drawing under its banner racist, pro-guns and anti-immigration elements. Its 'folksy' brand of economic nationalism and xenophobia quickly garnered Labor and Coalition votes, particularly in rural electorates. In response, the federal government modified native title law, refused to apologise to indigenous Australians for past injustices and placed a clamp on immigration. Meanwhile, however, it drove an economic rationalist agenda faster and further, ending protection and beginning a massive overhaul of the taxation system.

After the Coalition lost votes heavily to One Nation in the 1998 Queensland election, the Hansonites threatened to hold the balance of power in the federal election of that year. In the approach to the election the Commonwealth Government urgently devised a raft of targeted rural development policies and programs with strong electoral appeal, including policies for an ambitious rural transaction centres program. The Coalition hung on with losses to Labor but One Nation failed to make any real impact, notwithstanding the party's considerable vote. Hanson lost her seat of Oxley. Traditional party loyalties were strained and new alignments and independents arose in a tortuous political climate.

25. Changing Circumstances

Of primary importance to our discussion was a growing perception that the credit union financial services model, institutionally, was insufficient in itself to meet new challenges, particularly in small towns requiring an array of financial and government services, which CreditCare had been unable to assist. That is not to say that the credit union model *per se* was in any way deficient, only that it was primarily about financial services and did not necessarily have application in situations where only an aggregated services delivery model had any chance of establishing and sustaining viability.

A major hurdle, which CreditCare had only limited success in overcoming, was the 'start-up' cost disincentive applying to host institutions and councils. In a fiercely contested market where technology increasingly ruled, most credit unions were now utterly preoccupied with finding improved ways to operate. Complex amalgamations were proceeding apace, focused on greater efficiency, reduced operating costs, expansion into new products, new markets and alternative structures. An urgent search for a 'brand', differentiating credit unions in a crowded market, was proceeding. With directors and managers so distracted, CreditCare appeared to fit awkwardly within the movement's broader, strategic priorities.

Moreover, new models of rural banking were becoming more readily available: pastoral houses such as Elders and Dalgety's, and Australia Post, Westpac with in-store franchises and BankSA with terminals, were building markets, for example. Other banks were establishing 'third party agencies' in newsagents and state government centres. Westpac, for example, already had six such agencies and was planning for more. New financial services' technologies and products were being accepted faster than had been the case earlier in CreditCare's life. The previously accepted notion that consumers had a distinct preference for 'face to face' branch banking was also being challenged, with some commentators arguing that the sting in the rural backlash against bank branch closures was easing with the release of data indicating that customers were flocking to telephone banking. Westpac claimed that it was acquiring new customers at a faster rate in the bush than in metropolitan and provincial centres, due mainly to the rapid take-up of telephone banking. The experience suggested that customers were increasingly prepared to change their banking habits in order to maintain a relationship with a bank. A Westpac spokesperson did concede, however, that the take-up rate of some customer segments - particularly older people who were used to face-to-face banking - was much lower than the average for the national customer base.[16]

26. The Community Bank Model

Significantly for CreditCare, a new 'community' player came into contention – a potential rival: community banks. Early in 1997 the University of Southern Queensland Centre for Australian Financial Institutions (CAFI) broadcast the experience of community banks in the United States, where a group of small financial institutions had successfully capitalised on local ties and 'smallness' while developing strategic alliances to overcome problems of scale.

The idea caught on in Australia. In June 1998, Bendigo Bank (formed in 1858 as Bendigo Building Society and taking a banking licence in 1995) opened the first community bank franchise in Australia, at Rupanyup-Minyip, Victoria. Others formed soon after in that state at Upwey, Lang Lang, Avoca, Maldon and Toora and in New South Wales at Henty, Wentworth and Coleambally.

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[16] George Lekakis '*Banks Get On the Bush Telegraph*', Australian Financial Review, *6 May 1999.*

Typically, a Bendigo Bank profit-share franchise involved an unlisted public company limited by shares owned by a community group comprising individuals or businesses. The model required profits to be split equally among the bank and the community and was, in this sense, a 'hybrid' of the 'for profit' and 'not for profit' models. A steering committee, usually made up of local business or primary industry figures, would approach Bendigo Bank with a business plan. Like CreditCare, independent advisers, appointed by a bank steering committee, would conduct feasibility studies to evaluate the plan before proceeding. This could cost around $10,000. If the business plan were approved, a Board would be established to create a legal entity. A franchise fee of $250, 000 – $350,000 would be paid to Bendigo Bank and a franchisee would contract Bendigo Bank to provide banking services.

Essentially, local community action and financial resources were productively harnessed, enabling the expansion by Bendigo Bank into a community to launch a corporately-managed, independently owned financial service with risk residing in the community. It was believed that the profit-share arrangement would provide an incentive allegedly absent in NBFI, such as credit unions, providing a performance discipline for local managers and enhancing profitability.

CreditCare now faced robust new competition in a niche market, which it had previously occupied virtually by itself. Some communities in which a CreditCare facility was operating; but not satisfactorily meeting primary industry borrowing needs (for example, Boorowa, NSW); began to explore the community bank alternative. (For further discussion on community banks see pp. 106-111.) [17]

27. The Hawker Committee 1997-1999

As the environment for CreditCare changed, in October 1997 the Commonwealth Government announced a major inquiry into the question of financial services in 'no bank' towns: the Hawker Committee Inquiry into Alternative Means of Providing

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[17] Robin Taylor *Banking on the Community,* Leadership Victoria, December 2000, p. 6; Centre for Australian Financial Institutions (CAFI) *Newsletter*, Volume 1, Issue 1, January 1997*;* Di Thomson and Malcolm Abbott, Community Banking in Australia*, Agenda*, Volume 7, Number 3, 2000, p. 211.

Banking and Like Services in Regional Australia. This was briefed to explore a range of institutional alternatives to bank closures including credit unions, building societies, community banks, giroPost, franchise arrangements, third party agencies and electronic agencies. The committee met throughout Australia in 1998, a federal election year, and reported in March 1999. While it deliberated, the whole matter of rural financial, telecommunications and government services delivery was radically re-framed.

The Australian Bankers' Association (ABA), for example, after arrogantly asserting the correctness of members' actions, was now more pro-active and consultative, keen to be seen to be proposing solutions. The ABA assured the Hawker Committee that banks would not 'simply disappear' in future but give notice of closure and provide education in alternatives, such as Smart Card technology. The 'big four' banks expended $370 million on image promotion and advertising!

By the second half of 1998, the rationale for CreditCare in its established form was becoming unclear. CreditCare Operations Manager Mark Genovese said as much when he told the Hawker Committee that the program had been 'filling gaps' left by the banks but could not solve the problem alone:

> *The difficulty is that the credit unions generally do not have the capacity to take up the slack that is there from bank closures. We have credit unions that have strong bonds of association, like QANTAS, Commonwealth and what have you. They are not in the business of opening branches in rural towns. Historically credit unions have not had a strong presence in rural Australia, it is a completely new market for the movement, so if you like it is very difficult for us to convince more than we have to go out into a new market considering the environment they are working in at the moment with squeezed margins etc.*

CUSCAL submissions spoke of CreditCare's ability to create only twelve new credit union branches a year and, even if regulatory barriers were removed promptly, this figure would only increase to twenty. Clearly, from a Commonwealth Government perspective, grappling with a bush 'revolt', the program was limited in what it could do.[18]

28. The Aggregated Services' Delivery Model

Mark Genovese was convinced that an aggregated service delivery model was the way forward in the bush - and for CreditCare - linking financial services with a range of other services in the one location, enhancing the prospects of sustainability. A prime example of the model to which the Hawker Committee's attention was drawn was that arrangement in Herberton, Queensland, brokered by CreditCare and involving the Electricity Credit Union (ECU) and the Queensland Government Agents Program (Q GAP). Field Officer Tom Watson recalls:

> *Above all, the Herberton experience taught us that with aggregation, anything was possible. Where an individual service might not be viable on its own, its aggregation with a range of other services the town needed could lead to a sustainable and viable outcome. When we stopped and thought about it, that aggregated solution had been there all along, being as it is a key element in the success the credit union movement has enjoyed worldwide. That boosted our confidence in proposing aggregated solutions for other communities and certainly in our initial work with the rural transaction centre (RTC) program.*

In July 1998, members of the Standing Committee visited Herberton. There they inspected new-shared Q GAP/ECU facilities established at the request of the local council and offering both government *and* financial services in a 'one-stop-shop'.

First piloted in 1992, Q GAP was run out of the Queensland Department of Primary Industries Office of Rural Communities (ORC) providing a 'whole of government' service delivery program through franchised outlets. By 1994 twenty-six such sites were operating and funding for a permanent structure and a co-ordination unit existed.

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[18] Parliament of Australia House of Representatives Standing Committee on Economics, Finance and Public Administration (Hawker) Report: *Alternative Means of Providing Banking and Like Services in Regional Australia - Money Too Far Away*, March 1999.

At the time of the Hawker Committee visit in 1998 over sixty-one sites were operated by seven different state government departments, eight local government authorities and three commercial organisations. Community Reference Groups had been established in fifty sites, which were instrumental in the continued development and evaluation of ORC programs. The Q GAP program was the first in Australia to deliver trans-departmental information and services across all levels of government to rural and remote communities under a semi-commercial arrangement. It became a prototype for ‘one-stop-shop’ programs in other states. Benefits of the program were three-fold:

- Customers gained locally-based easy access to a wide range of government services and information;
- For the service provider or lead agency, Q GAP strengthened the existing operation with increased revenue at marginal cost; and
- For government, Q GAP provided service delivery and information to rural and remote communities at minimal cost.

Through partnerships with other service providers, including credit unions, the Q GAP project modelled the benefits of cross-agency collaboration in a ‘seamless’ delivery of services. Winning strong client approval and several prizes for excellence, this cost-effective information and service delivery program was adapted through CreditCare in Herberton and Dirranbandi.

The Hawker Committee was persuaded by the Herberton experience that the aggregated service delivery model was ‘likely to be the best solution for many remote communities’ because it enhanced the viability of all the participating services and thereby increased the likelihood that remote communities would *maintain* access to these services. As such, the model represented a solution to the broader problems facing many smaller regional and remote communities – for which credit unions, alone, appeared not to be suited because of ‘start up’ costs and the inability to attract a host.

Noting that most CreditCare institutions were required to underwrite losses occurring within the first eighteen months or so, and that this had acted as a disincentive, the

Hawker Committee recommended that the government provide seed funding. Under semi-franchise style arrangements, communities could then themselves take responsibility for salaries, premises and delivering other services as per the aggregated service delivery model. The approach could also see more credit unions establish branches or agencies in regional and remote Australia, providing expertise, products and services while circumventing the responsibility for underwriting losses. Another advantage was thought to be that seed money would 'empower' communities through giving them responsibility without requiring communities to finance a facility out of their own pockets, as was the case with community banks.

29. The Commonwealth Announces Rural Transaction Centres

On the eve of the 1998 federal election, and before the Hawker Committee reported, the Coalition announced an expansive policy incorporating the aggregated services' delivery idea: the Rural Transaction Centre (RTC) Program. The proposed scheme would provide up to $70 million over five years (from the part sale of the government's telecommunications giant, Telstra) to establish up to 500 RTCs in rural areas with populations of up to 3,000.

30. 'Credit unions not ideally suited': The Hawker Report- March 1999

When, in March 1999, the Hawker Committee presented its report: *Money Too Far Away*; this highly commended CreditCare's work, urged the Commonwealth Government to remove regulatory barriers to credit union operations but noted that the institutions were not ideally suited to addressing all service delivery problems in the bush. The report recommended that the government urgently investigate alternative instruments for government transfer payments and recommended *inter alia*:

- monitor data on community access to financial services;
- amend the Code of Banking Practice to forbid transfer of accounts without account holder's permission;
- develop the recently announced Rural Transaction Centre (RTC) Program to build on state government initiatives;

- extend giroPost services to include business banking services;
- use RTC funding to install giroPost or other electronic services, where applicable;
- use the RTC program to develop methods by which Australia Post might deliver cash in areas where no other service existed;
- explore the possibility of banks installing ATMs in council offices;
- expand the number of Internet service providers in rural regions;
- explore Internet banking prospects;
- trial Smart Card;
- waive customer fees or penalties for early repayment of loans or closing accounts in the event of a bank branch closing;
- consider state government exemptions on stamp duties where customers transfer loans following a bank closure;
- introduce a minimum standard of bank service delivery code; and
- introduce a branch closure protocol.

Hawker recommended that the commonwealth consider a *range* of flexible approaches, noting that CreditCare was already doing this, aware that one solution would not fit all. The committee suggested that federal and state government departments involved in delivering services should collectively examine means by which the Q GAP/ECU Herberton model might be progressed, strongly recommending that the federal government build on such initiatives to deliver financial services to regional areas.

It should be noted that RTC Program development through this period also drew on the experience of several other Commonwealth regional programs in addition to CreditCare, for example the Regional Communities Program, the Regional Access Program, the Telecentres Program and others. The aggregation of services model was now occurring more commonly and this needs to be considered when assessing the role CreditCare played in developing the idea. That is not to say that CreditCare was not instrumental in carrying the concept into the RTC program. [19]

[19] Hawker Report *op.cit.* p.36; Correspondence Linda Holub DOTRS October 2001

There nevertheless was something *deja vu* about a report, some recommendations of which the government had already acted upon, but the affirmation of CreditCare, if not the credit union financial services model, was undeniable.

31. Launching the RTC Program: March 1999

Administrative responsibility for CreditCare passed from DPIE to the Department of Transport and Regional Services (DOTRS) in late 1998. The staff responsible for administering CreditCare also moved to DOTRS and the CreditCare contract remained in place and unchanged. The rational for the restructure was to collocate several regional government initiatives and programs in the one department and attribute a higher priority to them.

In March 1999, the DOTRS minister officially launched the RTC program. Language used was highly conditional, consistent with an administration feeling its way into something innovative and experimental for government: a community driven economic development model. In discussing this commendable initiative it is important to keep in mind that the RTC program is operational at the time of writing, a review is awaited and that it is too early to draw any firm conclusions about its success or failure. Nevertheless, there are some edifying, if inconclusive, comparisons to be made between RTC and the CreditCare community economic development model, which is the focus of our concern.

The Commonwealth Government undertook to provide seed funding for business plans and grants to community groups establishing transaction centres providing access to basic services such as personal banking, elements of business banking, postal services, Medicare Easyclaim facilities and phone and fax facilities. Assistance could also exist to help provide access to an extended range of services such as Job Network, video-conferencing and the Internet, that were unlikely to be provided commercially. Project assistance funding might also be made available for capital costs associated with 'start up' expenditure and, in some circumstances, to subsidise running costs in the early years of operation, overcoming a problem with the CreditCare model.

The program's scope was breathtaking. RTCs would be delivered within an existing business or community and would:

- fill gaps in banking (personal banking, elements of business banking and ATMs), postal, phone and fax in smaller towns unable to attract such services;
- be flexible enough to take into account the differing existing provision of transaction services, the differing needs of individual communities and the several private and government initiatives already under way;
- avoid crowding out existing or planned commercial or government transaction services; and
- maximise the use of emerging technologies while retaining face to face contact.

While identical services would not necessarily be available at each RTC, it was thought that the aggregation of service delivery combined with the volume of transactions and greater availability of services would make RTCs largely self-sustaining after a few years. Essentially, the idea was to develop RTCs as community managed resources where community managers could negotiate with private sector or other possible partners, including government, to deliver a range of services.

The government planned to use a 'broker' model to implement the program, ostensibly to achieve a balance between the efficiency and consistency of a national initiative and the local ownership potential of a more community-driven, participation approach. A list of brokers was made available to assist communities to develop business and project proposals. It should be noted that while brokers were authorised to assist communities to identify service needs and providers they were to have no role in handling funds or decision making with respect to final choices of service providers or arrangements. Responsibility for administering the program fell to an RTC secretariat within DOTRS. Furthermore, communities were not required to use brokers and, indeed, some with appropriate skills developed their own business plans. From the outset the RTC program was intended to be community driven.

It was envisioned that a commercial broker would be contracted with the task of establishing service points for the delivery of primary services and arranging the provision of these services with service providers such as banks. The process would involve a community group, such as a local council, community organisation, progress association or a chamber of commerce nominating gaps in the primary services available in their town. Then, an Advisory Panel comprising people knowledgeable about economic and social conditions in regional Australia, and about business transactions and communications, would assess applications with an eye to existing services and the likelihood of services being provided in the near future by other providers. The program's guidelines stressed that RTC funding could not be used to establish services which would jeopardise the business prospects of an existing business. Following ministerial approval of applications, the service broker would call for expressions of interest from potential service points and select the most appropriate applicant based on cost and service criteria including the amount of funding the outlet would provide towards ongoing service costs. The broker would then channel funding to the RTC service-provider and oversee the delivery and maintenance of services. It may be seen in this context that, although communities initiated requests for funds, the approval process, which included direct ministerial approval, could be a lengthy one. The program, fully operational from March 1999, would function until June 2004 and would be reviewed after three years.

Here was an ingenious and intricate combination of federal government political priorities, CreditCare development methods, Q GAP interventionist policies and private enterprise business solutions. Translating this imaginative idea into action would not be straightforward. From the outset it was apparent that the government-business-community alliance underpinning the RTC concept would be difficult to communicate, administratively complex, devilish in the detail and tricky to implement. [20]

32. CreditCare and 'RuralCARE'

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[20] Hawker Report *op.cit.* pp. 40-42. pp. 65-67; Submission no 154, Vol. 6 pp. 1270-1271 (Minister for Regional Services, Territories and Local Government; Coalition Policy on Rural Transaction Centres 1998, p. 3; Correspondence Linda Holub DOTRS, October 2001.

The Commonwealth Government now had two processes addressing rural transaction needs: CreditCare, perceived to be successful but limited in scope; and the untried, RTC program, sweeping in its breadth.

The CreditCare team quickly adjusted to the new situation, identifying towns in which the RTC program might be adapted to suit communities which it had been unable to help previously. To assist the commonwealth in implementing the program, CreditCare proposed a package of measures known as 'RuralCARE', an 'aggregation and support' co-operative company to be formed by RTC operators, serving them in the:

- aggregation and coordination of key operational support services;
- provision of service support/assistance and training services (e.g. 'help desk');
- development of a 'competitive pool' of financial service, government and private service suppliers;
- negotiation of additional and alternative service options and associated service suppliers;
- provision of group/bulk purchasing facilities for operational equipment and support materials/services;
- fostering of communication and cooperation between RTC Operators;
- development of common branding, promotional support and "trade support" services;
- facilitation of access to networked IT and communications infrastructure;
- provision of O&M and quality assurance advice and information sharing; and
- collation and dissemination of RTC performance statistics and information.

Membership was to be open to all RTC operators on a voluntary basis, whether or not previously associated with CreditCare, from one or more of the following categories:

- community groups operating their own service centre;
- community groups transferring management of their RTC to a third party; or
- RTC operators/managers (whether community groups, or third party managers).

Funding would originate from several sources, including:

- annual membership levy (based on percentage of previous year expenses);
- specific member service fees (on optional services such as accounting/audit etc.);
- service supplier fees (fees/commissions from facilitating supplier access to RTC operator markets); and
- assistance from government (commonwealth and state) for capital infrastructure costs.

The intention was to encourage joint venture arrangements with public and private groups (via a tendering process), which were held to be both commercially sensible and more appropriate than a ‘go it alone’ approach. The joint venture process would raise most of the program’s capital and support infrastructure, including information technology, communications and Internet systems, audit services and office supplies etc. Initially, RuralCARE’s operations would be limited to:

- assisting RTC operator-members in establishing and developing their operations;
- securing basic/additional service supplier arrangements;
- providing training facilities;
- assisting with individual and group promotion and public relations activities; and
- providing and facilitating “help desk” services.

Later, if the support and co-operation of RTC operators, government and the private sector warranted it, RuralCARE could progressively:

- expand its range of service options;
- undertake a tendering program for joint venture partners in seeking capital support, infrastructure and services; and
- develop (in conjunction with joint venture partners) IT and communications support systems and the range of operational support services available.

A CreditCare proposal argued that RuralCARE could provide efficient and effective networking, aggregation and support vital to the success of the RTC program, facilitating co-operative partnerships between government, business and communities and building on CreditCare's success. Mark Genovese hoped that RuralCARE could be operational before the end of the year, mentoring the RTC program through what promised to be a difficult establishment phase.

Expressions of strong support and understanding for the idea came from such bodies as:

- Local Government and Shires Association of NSW
- Local Government and Shires Association of Qld
- NSW GAP and officers of the NSW Premier's Department
- QGAP, Queensland Office of Rural Communities
- National Farmers' Federation
- Health Insurance Commission
- CentreLink
- Westpac Bank
- Bendigo Bank
- Pioneer Building Society
- Heritage Building Society
- Credit Union Services Corporation of Australia (CUSCAL)
- Australia Post
- The System Works (information technology group)
- Ozemail (communications and Internet access group)

However, the Commonwealth Government ignored the proposal, which remained largely at the conceptual level. That the government should choose to disregard this well considered proposal from a tried and tested operator possessing deep wells of community good will and trust seems remarkable, and the reasons for the decision are beyond the scope of this study. It was evident now, however, even to ardent supporters within the credit union movement, who hoped the contract might be extended beyond June 2000, that commonwealth funding for CreditCare was unlikely to be renewed beyond the contract period. Certainly, CreditCare was never conceived of as an on-going program.

33. CreditCare and the RTC Program

The issue of finance service provision through credit unions, as such, was no longer 'fresh' and there was generally less interest in communities. Nevertheless, CreditCare could not simply walk away from ongoing responsibilities. As already noted, the program's focus was shifted to 'mopping up' operations in those communities where CreditCare had been unable to assist previously and to providing follow up for those where it had. Field officers became heavily involved with assisting community groups prepare applications for RTC funding, and refining the credit union 'Member Services Centre' (sometimes, 'Community Services Centre') model, to aggregate financial, government and other services. A 'feasibility model' was designed to assist communities in assessing options, measure market demand and evaluate commercial viability (or otherwise) of establishing a Member Services Centre under the RTC Program. CreditCare personnel also sought to develop existing relationships with commonwealth, state and local government agencies and to establish new joint projects with potential service suppliers and project partners, as foreshadowed in the 'RuralCARE' proposal.[21]

Field officers were immediately successful in negotiating relationships with communities and institutions for services' provision in the following towns:

COMMUNITY	FINANCIAL INSTITUTION	STATUS IN 1999 – 2000
Aramac	Pioneer Building Society	Confirmed
Crows Nest	Heritage Building Society	Confirmed and operating
Dirranbandi	Electricity Credit Union	Confirmed and operating
Eugowra	Orana Credit Union/Orange Mutual Credit Union/Calare Credit Union/Reliance Credit Union	Competitive negotiations – formal tender proposed
Gresford	Holiday Coast Credit Union	Confirmed
Mirboo North	Bank of Melbourne (Westpac)/Bendigo Bank/Bank of SA	Community finalising arrangement with potential service supplier
Urana	Wagga Mutual Credit Union	Confirmed and operating

[21] Discussion Mark Genovese; Correspondence Mark Genovese.

Welshpool	Advantage Credit Union/Members First Credit Union/Westpac/Bank SA	Competitive negotiations – formal tender proposed

The Eugowra RTC, the first in Australia, was opened by the Prime Minister in October 1999. The idea came initially from the Cabonne Shire Council's Regional Development Officer and the proposal was put forward by the community, aided by the local Progress Association and CreditCare. The new centre provided financial services through Reliance Credit Union and Medicare and CentreLink services. In December, Tim Fischer, the Federal Member for Farrer, opened the Urana RTC, the first in the Riverina. The new RTC continued to offer credit union services, and, in addition, Medicare and CentreLink along with Internet access, fax and photocopying machines, which were now available for local businesses and the community. The Gresford RTC operated on a commission/profit-share basis and included financial services, Medicare Easyclaim, local council services and business support services. At Crows Nest (Queensland), CreditCare personnel worked with the local Tourist and Progress Association to form 'Progressive Community Crows Nest Limited' (see Part Three). The shire council and Toowoomba-based Heritage Building Society agreed to share costs and income in an RTC. (For further discussion, see pp. 86-87, 135-138.) CreditCare returned to the small, isolated Queensland town of Aramac (after a failed effort in 1996) to build a relationship with Pioneer Permanent Building Society and rekindle interest in a local financial institution. A Post Office licensee objected, as Australia Post had an existing relationship with the Commonwealth Bank, which forbade the use of CreditCare. CreditCare, therefore, worked to develop an RTC in the town and assisted the council to apply. Successful, the council accepted responsibility for the centre and appointed the Post Office as operator.

There were other CreditCare initiatives aiding the RTC program's introduction. For instance, the Walgett Shire Council and CreditCare called a public meeting in Collarenebri after funding for the business plan stage of an RTC program was approved. The council recommended that CreditCare act as 'broker' to examine the possibility of services such as a credit union, CentreLink, Medicare, postal and public Internet facilities being included in the RTC. This was done. Assisted by CreditCare, the Queensland town of Surat was granted $160,000 to upgrade its existing financial facility to a RTC, offering credit union services, Queensland and Commonwealth Government services, and access to Medicare on line and an Internet café. Kalbar also received a RTC grant of $60,000 for similar purposes. Mungindi applied for funding to upgrade to a fully-fledged RTC, employing CreditCare as 'broker'. (For further discussion, see Part Three, pp.119-123, 135.) CreditCare personnel also 'supped with the devil', working with banks to regain facilities in several other communities including Bendigo Bank in Fish Creek and Stratford, BankSA in Penshurst and Westpac in Agnes Water (Queensland). They also worked with the Hume Building Society in Yackandandah (Victoria).

34. Other CreditCare Development Work

In addition to RTC-related development activities, CreditCare also worked to improve or upgrade existing financial services introduced under the original program. For example, in April 2000, CreditCare assisted the Upper Hunter Credit Union upgrade facilities in the small town of Denman, including the installation of an ATM. After the credit union had established a branch with CreditCare's help in October 1996, Margaret Lester returned in 1999 to train residents in ATM usage. The machine was the 'talk of the town', allowing people access to cash twenty-four hours a day in well lit, secure premises, and was receiving high usage and attracting tourists and travellers, who were now stopping in the main street to withdraw cash, bringing more money into the town. Lester also arranged ATM training for Grenfell residents after CUSCAL organised a machine in that town on a one-year trial basis following a request from the community for improved access to cash.

CreditCare field officers produced detailed progress reports on facilities they had helped initiate, for example, surveys to assess the impacts since 1996 of Holiday Coast Credit Union and Horizon Coast Credit Union upon Bulahdelah and Bermagui, respectively. CreditCare also conducted research for communities interested in the difficult task of starting a new credit union, for example, the Barwon-Darling Alliance (a partnership of the Murdi Paaki Regional Council of ATSIC and five shire councils across north-western New South Wales). There, Margaret Lester posted 7,500 copies of a survey to homes in the shires of Walgett, Coonamble, Central Darling, Brewarrina and Bourke as part of a three-year feasibility study. This confirmed that general support for establishing a credit union was strong with 70 per cent of respondents giving qualified or unconditional support.

CreditCare also helped launch a new credit union for indigenous Australians through this period: First Nation Advantage Credit Union, in Shepparton, Victoria. This institution; one of only a handful to form since the FI Scheme began; was opened by Minister for Aboriginal and Torres Strait Islander Affairs Senator John Herron with world champion athlete Cathy Freeman in attendance. Hosted initially by Piccol Credit Union before a merger, creating Advantage Credit Union, the development was ten years in the making, using an 'incubator' model established by Community First Credit Union for the New South Wales Korean community. CUSCAL and AFIC assisted in getting the model 'right' and ATSIC gave national support to the project and agreed to provide seed funding for the first two years of operation. The 'incubator' model had been used earlier in CreditCare's work with Piccol in Delegate NSW.

35. The RTC Program's Slow Uptake

The government was determined that the RTC program should be community driven. The question was what encouragement and other supports did a community need to take prompt and full advantage of opportunities the new program offered? Indeed, the first two years of the RTC program indicated how difficult it could be to implement a program that relied so heavily upon a community taking an initiative of its own to access support. While the department had prepared a list of brokers, who were happy to work with communities to negotiate access to funds, in many cases these appear not to have possessed the same positive outreach dimension as the established, experienced CreditCare team.

At first, even experienced CreditCare field officers introducing RTCs found some communities had difficulty in grasping that a federal government was actually targeting funds at *community* groups for *self-help* purposes. For example, there was considerable scepticism when CreditCare and the Coolamon Shire Council conducted research into access to financial and government facilities in the Riverina towns of Ganmain and Ardlethan. The trust that CreditCare personnel had built up over the years finally carried the day and the communities decided to proceed with an RTC application. Similarly, at Ashford NSW, the community initially had difficulty in comprehending that the government had earmarked money for use in a community driven scheme, both ‘self-help’ *and* a business.

That some communities could not ‘believe it’ when invited by CreditCare personnel to participate in the program, and only after long and hard consideration decided to try the RTC scheme, contributed to an initial slowness in up-take. This was despite the fact that the program altered the economics of securing support from institutions and largely overcame the problem of ‘start up’ costs, previously involving CreditCare in a slow process of persuasion and negotiation. In the cases of Eugowra, Mirboo North and Welshpool, for example, *several* financial institutions expressed interest in hosting an RTC. CreditCare was now better able in this competitive environment to assist communities in selecting a supplier (or suppliers) and negotiate more flexible arrangements offering breadth and better value service, more favourable commercial arrangements and leading edge operational and infrastructure support. The RTC program, designed to be community centred, along CreditCare lines, was nevertheless by definition slow, involving communities in complex business decisions for which many had no experience. In addition, unlike CreditCare, which was perceived to be a private enterprise model, the Commonwealth Government was seen by individuals in some communities to be at the centre of the program. Uncertainty about the government’s real purpose in launching RTCs and suspicions further slowed progress. One possible explanation for this caution is that there is a basic difference between CreditCare and RTCs. From a community’s point of view, communities involved with CreditCare worked with *employees* of an independent organisation, CUSCAL, which had contracted with the Commonwealth Government. By contrast, in the RTC program, communities were required to apply to *government officers* and obtain ministerial approval for funding applications. Given these significant procedural differences, it is perhaps understandable that some communities and even some

CreditCare staff might conceive of the RTC program as relatively more government centred than CreditCare.

It is clear, however, that CreditCare Program Manager Mark Genovese warmly endorsed RTCs:

> *The RTC program has empowered communities to unite, take action and call for the services they need. Establishing the first RTC in the Riverina is an achievement. Its success has secured the town's future. With the support of the Commonwealth Government's RTC program, the Urana community is now equipped to overcome financial hurdles. CreditCare's role is about assisting communities evaluate their needs for financial, government and related services and to assist in the negotiations to secure services on proper commercial terms.*

It should be noted, also, that former Commonwealth Government administrators of the CreditCare program, who were interviewed for this study, were emphatic that CreditCare was instrumental in getting the RTC program off the ground in this difficult transition phase.[22]

Nevertheless, a perception existed in some quarters that the RTC program was government centred (and linked to the sale of Telstra). Therefore, the slowness of the roll out carried political risks. Indeed, in May 2000, a Senate Estimates Committee fiercely quizzed the minister and departmental officers on the program's slow adoption. The committee's attention was not in itself unusual; all government programs are subjected to periodic scrutiny as part of the normal accountability framework; and it is not to be inferred from this that the RTC program was being singled out for special attention or that Senators were doing anything more than expressing an opinion. On the contrary, it was generally agreed that the RTC idea was good but the program was travelling slowly, apparently plagued by 'red tape' and poor

[22] Discussion Cathy Parsons, former Commonwealth Representative CreditCare Board; Nicola Dakin, Assistant Director Regional Development Branch; and Diane Podlich, Assistant Director Rural Transaction Centres, Department of Transport and Regional Services. Parsons described the

acceptance. Senators noted that much paper work was involved simply in getting a business proposal together; so much so that some communities had given up on the task. Assumptions seemed to be running simply because money was available that communities would automatically 'grab' this, without proper consultation and deliberation; that 'one size fits all'; and that government knew what was 'good' for communities. Senators remarked upon an alleged lack of adequate community input, design and control in the concept. After more than twelve months, still only sixteen centres were operational, three of these non-financial in form. Senators demanded to know why the application process had been changed to involve departmental assessment, creating interruptions, and why unspent funds had been rolled over into the next year's budget. There were few applications from South Australia and Tasmania (as for CreditCare). The absence of a coherent, adequately resourced field worker network was noted. The government's assumption about 'brokers' forging partnerships was seen to be vague, with the department apparently simply saying to a community 'here is a lot of brokers...you might like to access.' [23]

Under pressure, government representatives replied reasonably that the RTC program was a community driven model, involving communities in considerable responsibility in business decisions and could only proceed as fast as communities allowed. Intermittent meetings by the RTC Advisory Project Panel meant that delays in approval had grown and the department had had to intervene to expedite things. Apart from occasional phone calls and an operating manual setting out guidelines, however, the department was not involved further. The intention was still to create up to 500 RTCs over three years and a review was planned in eighteen months.

CreditCare program as a 'co-operative arrangement which brought together mutual objectives in a happy coincidence'; Discussion, Margaret Lester.

[23] Parliament of Australia, *Senate Estimates Committee,* 2 May 2000. Government officials received a bombardment of awkward question: What mechanisms existed to ascertain the financial veracity of brokers? Who trained brokers and for whom did they work? Did contracts exist between RTCs and financial institutions with regard to terms of service delivery? What evaluation was the program receiving? What follow up commonwealth supports were RTCs receiving? Why were RTC funds being used to establish a post office in a Northern Territory community and to install ATMs providing services to a range of banks? Who or what was monitoring the level of service provision involving commonwealth services and how did the commonwealth know if the program was improving services? The government's response was seen by hostile senators to be far from satisfactory. One found it 'extraordinary' that still no resolution had been reached on the General Services Tax (GST) impact on RTC grants, with introduction of the new taxation system imminent.

36. CreditCare is Concluded

Despite hopes held by some CUSCAL staff that CreditCare might become involved in new markets supporting the RTC program, through the proposed RuralCARE program, for example, interest in such innovative ideas failed to galvanize the credit union movement. A feeling was growing that credit unions should 'stick to their knitting' as market pressures built and the GST was about to be introduced – leave it to the RTC program. [24]

On 30 June 2000, CreditCare was concluded. The decision appears to have been mutually acceptable to the joint initiative partners – CUSCAL and the Commonwealth Government. The RTC program, in theory, had made CreditCare's institutional model redundant in small 'no-bank' towns and the program superfluous by overcoming the 'start up' cost dilemma and introducing an aggregated services model, which went far beyond the provision of financial services. Moreover, alternative models were now more readily available: community banks, for example. Some twenty-one franchises were operating, most in Victoria but extending to Western Australia (where the state government was helpful with feasibility study costs) and South Australia, two states where CreditCare had made little or no headway. The Queensland government was also interested in assisting Bendigo Bank and some of the major commercial banks were considering emulating the model.[25]

Margaret Lester was retained by the Credit Union Foundation of Australia (CUFA) as a Development Manager to work with rural, regional and indigenous communities interested in establishing credit union or RTC services. Communities were advised that they were now free to contact CUSCAL or, alternatively, the Department of Transport and Regional Services, which managed the RTC program.

The following table (Table 1) summarizes CreditCare's considerable achievement up to late 1999.

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[24] Discussion: Mark Genovese, Graham Loughlin.
[25] Di Thomson and Malcolm Abbott *Community Banking in Australia, op. cit* p. 210.

Table 1: Towns Assisted by CreditCare in Regaining Access to Financial Facilities
27 October 1999

Queensland		**New South Wales**	
Agnes Water	Greenvale	Ashford	Nabiac
Aramac (RTC)	Kalbar	Bermagui	Moulamein
Blackbutt	Kilkivan	Bulahdelah	Oaklands
Croydon	Hebel	Delegate	Old Bar
Cardwell	Herberton	Denman	Stroud
Crows Nest (RTC)	Isisford	Eugowra (RTC)	Trangie
Dayboro	Irvinebank	Ganmain	Trundle
Dimbulah	Magnetic Island	Gresford (RTC)	Urana (RTC)
Dirranbandi (RTC)	Miles	Hawks Nest	Walla Walla
Eidsvold	Mission Beach	Halliday's Point	Werris Creek
Einasleigh	Mt Surprise	Mungindi	
Forsayth	Surat		
Georgetown	Thallon		
Yaraka			

Victoria		**Western Australia**
Eildon	Stratford	Paraburdoo
Fish Creek	Yackandandah	
Penshurst	Walwa	
Rosedale	Welshpool (RTC)	
Shepparton (ATSI)		

Total 58

- CreditCare and CUSCAL provided the town of Grenfell (NSW) with its first ATM.
- **Participating credit unions and other institutions:**
  Advantage Credit Union (formerly Piccol Community Credit Union), Albury Murray Credit Union, Credit Union Australia, Electricity Credit Union, Firefighters Credit Union, Holiday Coast Credit Union, Horizon Credit Union, Members Australia Credit Union (formerly Enterprise Credit Union, CSIRO Co-operative Credit Society and Outlook Credit Union), New England Credit Union, Orana Credit Union, Peel Valley Credit Union, Queensland Country Credit Union, Queensland Teachers Credit Union, Reliance Credit Union, United Credit Union, Upper Hunter Credit Union, Wagga Mutual Credit Union, WAW Credit Union. Also Bendigo Bank in Fish Creek and Stratford, BankSA in Penshurst, Hume Building Society in Yackandandah, Heritage Building Society in Crows Nest and Westpac in Agnes Water.

37. The RTC National Field Officer Network

When CreditCare was concluded, 250 communities in Australia were involved in the RTC program. Only a handful; eighteen; were operational, however, eleven of these brokered by CreditCare. It should not be construed from this observation, however, that the RTC program was not working, only that the program was taking time to demonstrate its full potential, for some of the reasons mentioned above.

A DOTRS restructure and urgent moves to rectify administrative problems followed. In September 2000, the RTC application process was streamlined and made easier and, in December, the federal government entered into a two-year contract with a Brisbane-based company, GRM International Proprietary Limited, for the provision of a national field officer network to develop the RTC program in small rural communities. It is interesting to digress briefly to compare this network's construction with that of CreditCare's some five years previous for the light this throws on the importance of timing in field officer employment.

Five businesses submitted tenders for the contract. CUSCAL was not invited to tender and, according to one field officer, knew nothing about it. It should be pointed out, however, that a panel chaired by the DOTRS including representatives from the RTC Advisory Panel and the Department of Industry, Services and Resources assessed tenders, overviewed by a probity officer from Attorney-General's. While CUSCAL had successfully implemented the CreditCare program and, thanks to it, credit unions now served the financial needs of many communities abandoned by banks, the government simply considered the financial business entity alone to be too limited in the context of wider community development issues embraced by RTCs and, for this reason, did not invite CUSCAL's participation in the tendering process.

GRM International is an Australian project and resource management company with more than thirty years international development experience in sixty countries throughout Asia, the Middle East, Pacific, Central and South America and South Africa. It was established in 1960 to manage and develop agricultural projects in northern Australia. The company's stated philosophy is that for any development to be sustainable, people within the community must participate in the planning, implementation and monitoring of a project they 'own'. GRM promotes its services as consciously sponsoring co-ownership of projects by participants at all levels and actively encouraging stakeholders and project beneficiaries to be involved in the development process. The similarities with CreditCare's methodologies can be seen.

The minister announced that between twelve and fifteen full-time equivalent field officers were to be based in rural centres in the RTC National Field Officer Network, providing support for communities in establishing and maintaining an RTC. Positions were advertised in January 2001 and the network became operational soon after. Communities were free to approach other brokers, including CreditCare, and the government undertook, in certain circumstances, to directly fund communities to engage experts to prepare a business plan. [26]

Following a nationwide recruiting drive, GRM received 350 applications for field officer positions and made approximately fourteen appointments. The brief for the National Field Officer Network, which was contracted to support and mentor the development and operation of RTCs at every stage, was reminiscent of a CreditCare manual:

- promote the RTC program to individual communities, councils and regional organisations;
- assist communities to gain a clear understanding of the issues facing them in relation to RTCs, particularly so the community understands the responsibilities of running an RTC;
- provide encouragement and support for communities wishing to establish RTCs;
- help communities organise meetings to canvass the most suitable location, the type of services and the level of support for additional services through an RTC;

- facilitate the development of individual business plans in consultation with communities;

[26] Senator Ian Macdonald, Media Release, 12 February 2001.

- provide face-to-face information on how communities could develop their own RTC, particularly in terms of implementing business plans and developing marketing and promotional activities;
- facilitate service agreements with prospective service providers;
- provide on-going operational and management support for RTCs, including arranging access to appropriate professional and technical advice if required;
- create networks of RTC communities, districts and regions;
- undertake regular visits to opened RTCs for feedback and support; and
- work at individual local and regional group level with other state/federal bodies providing assistance programs to regional and rural Australia, e.g. relevant state government activities such as the WA Telecentre Network, Queensland Government Agency Program and the New South Wales Government Community Technology Centres (CTC) initiative and community-based organisations such as Area Consultative Committees.

GRM field officers were briefed in Canberra and meetings were held involving representatives from CentreLink, the Health and Insurance Commission, the Department of Employment, Workplace Relations and Small Business, the Department of Communications, Information Technology and Arts, Australia Post and the Area Consultative Committee. Working from home, GRM field workers were based in:

Queensland	Mackay, Toowoomba, Cairns
New South Wales	Tathra, Armidale and another in Central New South Wales
Victoria	Bairnsdale, Bendigo
South Australia	Mt Gambia, Wadinna
Northern Territory	Darwin, Tennant Creek
Western Australia	Bunbury
Tasmania	Meanda

Field officers' activities were not confined to state borders, extending to whatever was relevant to a town's needs with regard to commonwealth services and, where possible, state and professional services. The first task of GRM officers was to visit towns where an RTC process was under way and 'raise awareness' of the program. Then they were to assist communities with business plans (where these were not developed), assist with RTC development and follow-up, resolve outstanding issues, do ‘leg work’ in brokering partnerships and, generally, expedite the process. Favourable comparisons with CreditCare’s approach are obvious.

By February 2001 more than 353 communities were involved nationally in the RTC program, but still only nineteen were fully operational:

Queensland	Aramac; Bell; Blackbutt; Crows Nest; Kalbar; Wallumbilla, Yuleba.
New South Wales	Bombala; Coonabarabran, Eugowra; Gresford; Gulargambone; Guyra; Halliday’s Point; Urana.
Victoria	Welshpool.
South Australia	Port Broughton.
Tasmania	St Mary’s.
Western Australia	Kojonup.

There had been eight funding rounds for RTC business planning applications, with approximately 160 communities successful. At a similar juncture in CreditCare’s history, more than twenty credit union branches or agencies were functioning. Comparative program costs are unknown but it seems reasonable to conjecture on the basis of relative budgets that CreditCare may have enjoyed cost-benefits. No comprehensive evaluation of the RTC program exists at time of writing, however, and any comparison with CreditCare based on costs, levels of success or patterns of viability would need to be constructed very carefully before any firm conclusions could be drawn. Clearly, the scope of the two programs differed significantly, RTCs going far beyond a feasibility assessment stage, for instance. In addition, the programs’ developmental strategies differed markedly, RTCs not initially involving a designated field officer network, whereas CreditCare, from the outset, incorporated one. Such differences would need to be taken into account in measuring comparative outcomes. Our purpose here is simply to point out to readers interested in community economic development that differences existed in the models, with certain consequences.

By now, a perception had arisen in sections of the government that it had been a mistake to dispense with CreditCare's expert team of field officers. The apparent lack of respect shown by the government for CreditCare's experience also disappointed many associated with the scheme, including townsfolk, and some observers remained convinced that the 'government attached' nature of the RTC program was, potentially, a fatal flaw.[27]

At time of writing, approximately twenty-five RTCs were operational throughout Australia. Critics continued to discount the program as a failure, but no conclusive evidence existed to confirm such a view, which can only be described as premature. Certainly the program's first two years were symptomatic of the absence of a skilled development approach, such as CreditCare had introduced. Nevertheless, it is also true that the RTC program was adapted to include ideas and methodologies similar to those suggested earlier by CreditCare officers and better suited to reach targets and answer critics. The slow roll out and sheer complexity of the program, however, did have potential to become a political embarrassment in a federal election year. For example, a dispute in the north-eastern Victorian border town of Bendoc was given extensive media coverage. There, the community was bitterly divided over the way in which the government and some community leaders had allegedly failed to engage in proper consultation in respect of a successful RTC application, ramming the process through. Although the dispute was subsequently resolved amicably, it was precisely this kind of misunderstanding and media attention which the patient, painstaking, consultative CreditCare methodology had sought to avoid.[28]

[27] Discussions Margaret Lester and Mark Genovese.
[28] *Weekend Australian* 19-20 May 2001. While there were early concerns that the Bendoc community had not been fully consulted prior to the approval of the grant, these concerns were subsequently resolved and a representative steering committee formed to guide development of the RTC. Correspondence Linda Holub, DOTRS, October 2001.

38. New South Wales and the RTC Program

The New South Wales Government, meanwhile, progressed that State's Community Technology Centres (CTC) Program, which is also a joint initiative with the Commonwealth. The CTC program was designed to assist New South Wales' rural communities with the provision of information technology facilities and in increasing their awareness and knowledge of information technology. In promoting the CTC scheme, the government glowingly emphasised how CreditCare had assisted with RTC Project Assistance Grants in Eugowra, Gresford and Urana and how fifteen grants had been approved for New South Wales RTC feasibility studies, most of these CreditCare assisted:

- Bulahdelah (Hunter Region)
- Ardlethan, Coolamon and Ganmain combined (Riverina Area)
- Mendooran (Upper Hunter)
- Mathoura (South West NSW)
- Bundarra (Northern Tablelands)
- Gunning (South West Slopes)
- Gulargambone (North West Slopes)
- Wentworth (South West NSW)
- Bellbrook (Kempsey Shire)
- Hillston (Carrathool Shire)
- Tooraweenah (Gilgandra Shire)
- Bungendore and Captains Flat (Yarralumla Shire)
- Werris Creek (North Coast)
- Tumbarumba (Southern Tablelands)
- Delegate (Southern Tablelands)

Notwithstanding these New South Wales' successes, it remained the government's view that technology centres, alone, were an inadequate response to current banking practices in rural and regional areas. A more appropriate response was to require banks to maintain service levels and to adopt a 'conscience' policy for the disadvantaged.

C ANALYSIS: THE CREDITCARE EXPERIENCE

The short-lived CreditCare program achieved impressive results in rural economic development for a small outlay of approximately $6 million (in addition to smaller local government and other community contributions, for which the figure is unknown). In its most basic expression, CreditCare solved the problem of no financial services in ‘no bank’ towns and demonstrated how valuable business could be found in regional Australia despite a typical inertia experienced by many account holders and borrowers who were reluctant to change financial institutions. CreditCare helped to create almost sixty financial and other services delivery institutions in thirty-four credit union branches and twenty-five agencies, serving approximately 40,000 people and creating eighty new jobs. The credit union movement gained 14,000 new members, a high average penetration rate of nearly 40 per cent. In some communities up to 70 per cent of the population joined the credit union! Taken together, CreditCare instigated institutions amounted to a credit union of medium-sized proportions, attracting over $46.4 million in outstanding loans and $83 million in deposits, a noteworthy achievement considering the small populations of towns where branches or agencies opened. Through CreditCare and CreditCare’s work with the RTC program, many isolated rural communities regained access to financial and other services or came to enjoy the benefits of aggregated services for the first time. While claims are difficult to quantify, it seems reasonable to say that CreditCare institutions made a real difference to towns, delivering positive spin off effects, boosting confidence, increasing economic activity, retaining money, removing anomalies in local payments systems, stimulating new businesses and related businesses and attracting new services. (For further discussion of this point, see pp. 95-103.)[29]

CreditCare flourished after 1995 when the commonwealth and CUSCAL joint initiative partners, aided by local and state governments and by community advancement, professional and employer groups, saw mutual benefit in applying credit union solutions to rural financial services’ problems in towns. In the program’s first growth phase, 1995 to 1997, communities chose credit unions because they were

[29] Discussion Mark Genovese.

the *only* choice. This was entirely consistent with co-operatives' history in Australia where co-operatives, generally, have been selected where no other sensible choice exists.

The program amply demonstrated the capacity of small rural communities for successful economic development through 'grass roots' action where a suitable methodology, trained facilitators, intelligently targeted funding and relevant community resources existed, including:

- cohesive community spirit;
- community pride;
- proven record of achievement;
- positive economic outlook;
- balanced demographic profile;
- a 'can do' attitude;
- good communication;
- supportive local council;
- gifted community leaders;
- desire to control one's own destiny;
- an ability to involve people;
- an ethos of self-help;
- a confidence in attracting assistance;
- a proven record; and
- an appreciation of the past.

CreditCare illustrated the valuable role co-operatives and mutuals can play in revitalising communities as an alternative to 'top down' programs, functioning as an independent broker; a 'social entrepreneur'; at arm's length from government. Understanding that no two communities had identical needs and none was static, and that a standard model relevant in one place could be irrelevant elsewhere, or at another time, CreditCare's community-centred, consultative methodology spoke to a community's need for a 'voice'. This was as primary a need as financial services in towns whose cultural and economic fabrics had been torn by uncontrollable external forces – and field officers quickly learned this. Their successful story confirms the value of experienced field staff who, while attuned to a co-operative development model, understand that community need may be more complex than the capacity of a co-operative entity (as defined in Australian law) to satisfy this. It shows the value of adapting a development model to include organisational forms which, while not necessarily co-operative in structure, evolve through a co-operative process and are constructed on self-help principles.

CreditCare showed how communities solve problems attending radical economic reform, not because 'salesmen' of alternative structures persuade them to a belief in a particular model, but because a facilitative development process enables communities to believe in *themselves*. That CreditCare was there to help when banks fled, by introducing self-help methods and forging relationships with 'hosts', appears to have been more important to communities than the institutional 'scaffolding' upon which responses were erected. Similarly, townspeople appear to have been less concerned with democratic rights conferred by credit union membership than with CreditCare's ability to forge new partnerships and solve immediate problems. An institution came to town only after CreditCare demonstrated conclusively to prospective partners that sufficient business existed to make this viable, not out of some intrinsic desire of co-operatives to do 'good deeds' or a longing for co-operation, as such. Having said that, the importance of matching credit unions with community aspirations, as CreditCare did in its first growth phase, should not be disregarded. Unlike many profit oriented business forms, credit unions offered at least *potential* for democratic participation, albeit consummated more in the breach than in the observation. That this was undervalued in no way makes it less real.

The CreditCare experience actually tells us very little about whether or why co-operative structure was a preferred option, but is eloquent on credit union 'self-help' *philosophy*, consistent with a traditional charter of service and the guaranteeing of equitable access to financial services. CreditCare was first and foremost about *enabling* communities to overcome problems and building innovative relationships to permit this. The program is better understood as an enabling process than it is by objectifying structures to compare and contrast them in seeking to measure relative merits or likelihood to perform - like white-goods. CreditCare reminds us that when it comes to business structures, philosophy is often more enduring than form. Where rural communities have choice, the CreditCare experience suggests they will support an institution not because of its structure; whether 'for profit', 'not for profit', profit share or some other hybrid; but because the institution can demonstrate viability, reinforce cultural norms and provide services relevant to local needs and capacities. An institution may be inclined to stay in a community so long as these criteria are met. The CreditCare program offered 'no bank' towns an action plan *blending* self-interest with a concern for the community's greater good and, as such, cocked a snoop both at economic rationalism and the banks. Communities fought back.

While the CreditCare experience provides little evidence of co-operation between co-operatives, the program was in the broadest sense a model of co-operation involving democratic institutions concerned with rural economic development. All of the primary stakeholders were 'not for profit' organisations answerable to constituencies on a one person-one vote basis: commonwealth and state governments to electorates; local councils to ratepayers; CUSCAL to affiliates and credit unions to members. CreditCare was the conduit through which these bodies co-operated with rural communities in returning essential services and, coincidentally, expanding the democratic base of local economies, the antithesis of 'corporatisation'. That one joint initiative partner, the commonwealth, should be the greatest champion of competition and free market solutions to economic and social problems makes this alliance all the more remarkable. CreditCare functioned as an enclave of co-operation in a period of galloping competition policy underpinning a rampant 'globalisation' process. A community-based economic development stratagem, which placed community values on a par with economic imperatives, CreditCare was a tiny, trim, co-operative vessel sailing determinedly against the wind.

Simultaneously craft and beacon, CreditCare illuminated an otherwise dismal scene for co-operative development as many co-operatives and kindred societies 'de-mutualised' and Australia's co-operative movement drifted. Certainly, CreditCare showed the importance for co-operative *and* community development of placing skilled, experienced and motivated development officers *in situ*. Sadly, the experience also illustrated the vulnerability of fieldworkers to a piecemeal approach to community development funding and how governments can disregard even the best of concepts.

Still, the questions remain - why was CreditCare not better supported by credit unions and, if it was so successful, why was the program concluded so peremptorily?

There were several reasons. First, credit unions were constrained in the degree to which they could replace banks. The national scope of the program and complexity and labour intensive nature of matching a host institution with a community stretched the program's human and financial resources to the limits. Secondly, start-up cost disincentives saw many credit unions, ultra cautious in a period of market uncertainty, and local councils hold back. Problems in attracting a host to a town were exacerbated by departing banks 'creaming off' profitable business banking, leaving low profit transaction accounts to credit unions. Thirdly, after 1998 alternative options available included community banks, building societies, 'in-store' franchises, pastoral houses, new technologies, aggregated services centres and banks themselves. This situation was simply accelerated by the RTC program, which simultaneously overcame CreditCare's 'start up' dilemmas while driving the program to the margins. Finally, the importance of tardy regulatory reforms in guaranteeing a genuinely 'level playing field' for co-operative financial institutions should not be underestimated. As deregulation proceeded apace elsewhere in the economy in the interests of freeing up markets, credit unions faced a cumbersome states-based regime, onerous prudential and capital adequacy provisions and other restrictions on commercial activity. There seems little doubt that these constraints affected the take up of CreditCare and its performance. Moreover, the FI Scheme made it exceedingly difficult to start new credit unions, restricting the program institutionally to branches and agencies, compromising the notion of community 'ownership' of an institution.

After 1998, a bush 'revolt', combined with growing demand for adequate rural services, saw a shift in the attention of both CreditCare partners: the commonwealth from a specialised provider model to aggregated services in 'no bank' towns; and CUSCAL affiliates from growth to consolidation in crowded markets. The challenge for CreditCare was not now one of 'preferred' option; though this was an understandable preoccupation of a movement seeking 'brand' differentiation; but what was efficacious in meeting new needs within the program's existing framework. CreditCare flexibly adapted, adopting the aggregated services' model to suit, emphasising *process* over *structure* in towns, where it had previously been unable to help, or aiding institutions it had worked with to retain viability. Notwithstanding vital developmental work in launching the RTC program, CreditCare outgrew the institutional parameters of the movement from which it had emerged while becoming surplus to the commonwealth's requirements.

The tragedy was that the rich and profound experience gained by the CreditCare team was allowed to dissipate and a great opportunity for credit union advancement passed. Tom Watson records:

> *…it pains me to say this, Bendigo Bank has shown what can be done. They were close observers of our early efforts – there was even talk of them joining us – but they went their own way with their community-banking concept. I think it's fair to say that now, when a community becomes a 'no bank town', their first thoughts are for a Bendigo Bank solution, not a credit union solution. The qualified support the (Credit Union) Movement gave to CreditCare has seen the closure of a great window of opportunity.*

Nevertheless, CreditCare leaves an enduring legacy. The program's consultative, economic development model, emphasis on commercial viability and successful private enterprise adaptation of government interventionist schemes were translated into the RTC concept, albeit incompletely, via the Hawker Committee Report and subsequent adjustments to the RTC model in practice. While acknowledging significant differences in the scope of the CreditCare and RTC programs and that no formal evaluation of the latter has been completed, it remains to be seen whether RTCs will be as effective as CreditCare in tapping under-utilised infrastructure, detecting subtle affinities, forging innovative alliances, enabling communities to respond to problems and delivering 'ownership' of outcomes. We can only hope for the sake of rural economic development that it will be.

Certainly, people interviewed in field-work for this report were disappointed to hear that CreditCare had ended, for they had grown to trust CreditCare and now had one less, proven choice in addressing ongoing economic and social problems.[30]

[30] Discussion Mark Genovese, Cathy Parsons, Graham Loughlin; Correspondence Tom Watson; Discussion with residents of Bermagui and Delegate NSW. While co-operation between co-operatives was not a feature of the CreditCare program, per se, it did occur, for example in

Tullibigeal, near West Wyalong in New South Wales, a town with strong co-operative traditions where personnel involved with the co-op, credit union and RTC worked together.

PART 2	THE CREDITCARE APPROACH TO COMMUNITY ECONOMIC DEVELOPMENT

INTRODUCTION

Discussion below elaborates on CreditCare's successful community economic development model. It derives largely from responses given by Field Officers Margaret Lester and Tom Watson to a series of questions devised by an ACCORD panel. Where helpful, responses have been augmented by findings from additional research, for example Questions 5 and 11, which consider economic development in the New South Wales townships of Delegate and Bermagui and Question 13, which explores further the community bank model.

The responses illustrate how field officers used various approaches within a broad framework and gave different emphases to things. Issues considered include:

1. What did you look for?
2. Why pick a town?
3. Key variables
4. Unlikely towns
5. Factors for success
6. Supportive organisations
7. Council not interested
8. Alliances and partnerships
9. Community leaders
10. Regulatory/institutional impediments
11. Did CreditCare solve problems? (case studies Bermagui and Delegate)
12. Co-operatives meeting community needs
13. Differences between credit unions and community banks
14. CreditCare credit unions and RTC towns
15. CreditCare and RTC methodologies
16. Lessons for community development

1. What did you do first when you got to a town? What were you looking for when you got there? Was there any particular pattern?

Margaret Lester usually made contact with community members by telephone before visiting, but would occasionally stop when passing through a 'no bank' town and investigate the situation. Normally she might go first to a Post Office and ask about the Council, Progress Association, Chamber of Commerce and other community groups. From information gathered she would identify and make arrangements to talk with community leaders. Invariably, at least one community group existed in a town.

Margaret would investigate the history of the community's downturn and possible reasons why a bank had closed from a financial point of view. She would endeavour to discern new habits in the town since closure, noting particularly departures from the town and its geographical location in the region. Generally speaking, the more remote the town, the greater the need.

Tom Watson replied:

> *My first activity was to drive/walk the streets observing the state of the buildings, the nature of the businesses, evidence of community activities, e.g. bowls, golf, clubs, aged care, youth, the level of main-street action and possible sites for a credit union branch. I was trying to get a feel for the town's 'attitude' and general state of health ... tired, run down, clean, freshly painted, signs/posters promoting community activities, vandalism, community pride. As to a particular pattern, I would have to say there really was none - you can't (shouldn't) judge a book by its cover.*

2. Why pick a town? How did you know a town was 'worth' initiating a CreditCare operation?

Tom Watson observed:

> *In most cases, except for the initial three or four months, the towns picked themselves. Once we had our publicity machine cranked up and thanks to widespread and continuing exposure on ABC Radio, the towns came to us. But before that happened we had compiled a list of 'no bank' towns, which we further refined to those with a population of more than 500 and less than 3,000.*

We felt those towns with a population of less than 500 would not be able to support a viable branch operation. Conversely, our research suggested those with a population of more than 3,000 would likely still have a bank. As the project matured and the banks continued with their withdrawal of services, we began to receive calls from towns with larger populations.

(Tom Watson addressed the question of whether a town was 'worth' initiating a CreditCare operation, below.)

3. Were there a few key variables/key indicators that you looked for which could tell you whether it was worth spending time/resources in a town? If so, what were they? Examples.

Margaret Lester replied that sometimes this was 'hard to spot'. Some towns seemed 'ripe', with many co-operative institutions and community resources, while a town nearby might be not at all interested e.g. Trangie and Peak Hill in New South Wales. In some places the response to preliminary inquiries could be quite good while at a nearby centre, CreditCare would be 'run out of town'.

Margaret would seek to measure community support for services using a variety of measures; simply walking around observing, a random door knock, talking to business people, shopkeepers and primary industry personnel and garnering interest in a possible public meeting to discuss a CreditCare initiative. Attendance at that public meeting was usually a guide to the level of support existing, e.g. Moulamein NSW, where 120 people from a population of 500 attended.

A standard pro forma would be circulated in the town with variations to suit local circumstances and the response to this would provide another indication of possible support for a credit union facility. (So long as the distribution system worked properly and it didn't always e.g. where a post office had a policy of not delivering non-addressed mail.) Generally, a 14-20 per cent response rate was too low, 20-45 per cent would require very close scrutiny of the actual value of anticipated business, anything above 46 per cent would suggest that viability was highly likely, while one could be confident about an 80 per cent response.

Tom Watson's approach was slightly different:

First and foremost you needed to satisfy yourself that a key stakeholder in the town welcomed your offer of assistance, be that the Chamber of Commerce, the Progress Association or the local Council. Better still if it was two or all three of these groups.

Second, for me it worked best if I could work with an individual 'Mover and Shaker' who had the drive, energy, commitment and charisma to bring others with them.

Third, I considered it essential to win over the Council. My approach to them was that they were the community, not some remote "body" which could stand on the sidelines. In every case I urged them to publicly commit their support and in most cases I further persuaded them to invest council funds/assets in the eventual solution.

The fourth key indicator was the response to our call for a public meeting – the numbers who responded, the manner in which our presentation was received and the meeting's response to our invitation to work with them in conducting a survey to assess the likely level of support for a CreditCare solution - all were indicators of whether or not we might succeed.

Finally, the degree of acceptance by the key stakeholders and the community at large, of the principle/philosophy of SELF-HELP, was for me the clearest indicator of potential success.

Of course all of the above points preceded the 'hard facts' stage, namely the results of our survey, which gave us the hard financial data on which we could model a likely branch scenario. It goes without saying that if that data *didn't indicate a viable solution, it was a 'no go'. To a degree, that changed as we introduced the concept of aggregated services, a concept that went on to become the cornerstone of the RTC program.*

4. How would you pick a town where it was not going to 'work'? How would you know? How soon could you tell? Examples.

In Margaret Lester's experience, CreditCare would never receive any official advice that a bank was closing. Certainly, a field officer would look for indications of a possible closure e.g. renewal of lease, but this was not always reliable.

Some towns would be very enthusiastic about developing a facility, even when a bank was still operating there. In such situations, CreditCare would normally request that the community invite them back, if and when the bank did close. In other instances, a bank might simply be too close. At Jamberoo NSW, for example, the public meeting was enthusiastic, but CreditCare knew that a bank was 'just down the hill eight minutes away at Kiama' and couldn't help.

Timing was important. In some towns a 'grim resentment' had taken over after years without a bank and the disappearance of other services. The attendant cynicism and negativity could affect outcomes. In towns where 'passionate anger' was still quite high, however, it was generally easier to enlist solid community support for a self-help program.

Tom Watson replied:

I don't like generalisations, but for the purpose of this exercise, I will indulge in a few! There was a good chance it might not work IF: -

The town was close to another town with banking facilities. 'Close' is a relative term in the bush - a run of 100km to the next town is akin to a townie running down to the local supermarket. You can't just make assumptions about distance. Where it does become a factor is if the town has been without *banking services for some time and a pattern of banking (and shopping) in the nearest town with a bank is already established. Even that can be turned around if you can sell the community on the benefits of supporting their own town.*

Lack of community spirit, as evidenced by a negative attitude. "So they've taken our bank. Well we've already lost this and this and this and this, so why bother". Again, if you can find a 'Mover and Shaker' you can turn these communities around.

Lack of commitment by Council. The politics in small country towns can be quite baffling. There are often hidden agendas at work, particularly if an election is around the corner. There are also Council CEO's who think they are 'God' and if they don't want it to happen it won't happen. I found that vested interests on the part of the CEO or Councillors got in the way, not infrequently where a Councillor also happened to be the post office licensee.

Self-serving post office licensees, who were only concerned for their own viability, despite the fact they could only offer a very limited banking service – no business banking.

[Tom Watson points out that CreditCare tried unsuccessfully to get Australia Post to work with them and only after CreditCare was wound up, did Australia Post discover they had the ability to trial business banking.]

Self-serving business communities with EFTPOS facilities. They charged the community for the privilege of using it and didn't want us coming in and upsetting a cosy little earner. In one such town I was actually threatened and told not to return.

Poor turnout for public meeting. In one town of 1,200, twenty people turned up! I'm afraid in some towns the AGM of an Apathy Society wouldn't attract a quorum.

Poor response to survey. In some places we had a better than 80 per cent response. Anything below 20 per cent was a pretty clear indication of a lost cause.

Not being able to find a financial institution willing to assist in the solution. [Watson describes this as a formidable problem.]

5. Factors for success included:

- **Cohesive community spirit;**
- **Community pride;**
- **Supportive local council;**
- **Gifted community leaders;**
- **Proven record of achievement in the community;**
- **Positive economic outlook; and**
- **Balanced demographic profile.**

How did you come to know that these factors existed? At what stage in a project would they become evident? How would you 'measure' them? Are there specific examples of such factors you recall which would illustrate these generalities?

Margaret Lester made the point that it is not possible to 'measure' an abstract quality like 'community spirit', but there are indications of its presence or absence. Margaret noted in this context that in many towns, people are cynical about researchers. People have given time freely to many researchers over the years in the hope of improved economic conditions, only to receive 'nothing more than a glossy report'. People in communities suffering services' withdrawal now want to know precisely how you intend to help them in a practical sense. In communities which had lost, for example, the railway, the hospital, the school, the doctor, the bank etc, people bluntly demanded answers with an honesty that 'hit field workers in the face'. That is why CreditCare was so well received, Lester believes, because it offered a financial service 'right up front' and was seen as community driven, rather than a government centred approach.

Tom Watson noted:

All except the last listed (balanced demographic profile) became evident out of discussions with community leaders and the man and woman on the street. The last came through formal research of ABS data. Let me use the (Queensland) town of Crows Nest as an example.

My first contact here was with an individual 'Mover & Shaker' who happened to the President of the local Progress Association. For a start, he was the sort of motivated individual you can't ignore. We spent over half the time on my first visit doing a Cook's tour of the town where he pointed out example after example of things that had been achieved through their 'cohesive community spirit', including their cooperative hospital, one of the most successful of its kind in Australia.

'Community pride' was very much in evidence in the beautifully maintained town-square, in the yards and gardens of private citizens, and the obvious pride they felt for the history of their community. They had five prominent 'gifted community leaders', my mover and shaker, another businessman whose grandfather had started the business he still ran, the school principal, the CEO of the Council and the Mayor.

What set this quintet apart - and others like them in other towns – was they had a vision for their town. They also passionately believed that vision would be severely challenged if they didn't have a local banking service.

Significantly, it was the zeal of these leaders and their total acceptance of the principle of SELF HELP which won the commitment of the full Council (helped along a little by my public challenge to the Mayor to come on board as a partner in the solution we hoped to produce). And a 'supportive local council' it proved to be, buying the former bank building on behalf of the community and leasing it back to the 'community bank' for a modest but fair rental. Ownership will eventually pass to the community when profits from the banking enterprise enable them to buy out the Council's interest.

In terms of a "proven record of achievement in the community", I have already mentioned their hospital which they expanded over time to embrace a retirement home, a nursing home, a palliative care centre, an ambulance centre and a medical centre. Another example is their very impressive sports centre and another their success in promoting their town as a safe place for retirees. The large number of new homes built by retirees from Queensland and interstate bears testimony to that success.

Despite the generally held belief that the economy of country towns is "shot", Crows Nest is proof positive that is not the case. Their economy continues to grow, reflecting the stability of their long-established agricultural sector and their more recent success with new ventures such as light industry, health care, lifestyle and tourism ... and in all this they have to compete with Toowoomba, a mere 40 minutes drive away. Their 'positive economic outlook' was/is reflected in their unemployment rate, which in 1998 was one of the lowest in the nation.

How do you measure all this? ABS data is a useful guide; better still the Council's economic development officer. State Government departments who have close contact with local government and with rural and regional areas are also an invaluable source. Becoming a good listener is essential. Behaving as if you are part of the community, not outside it, will also help ensure you hear what you need to hear, not what people think you would like to hear.

Making sure the community accepts you are not there to help them, but rather to help them help themselves. It then becomes their solution, not yours. They should then have total ownership of and commitment to the outcome.

Fieldwork conducted in the New South Wales' town of Delegate, involving a branch of Advantage Credit Union, corroborates Tom Watson's factors for success. In that town there has traditionally existed a good blend of primary industry and town business. It has won the Tidy Towns competition on a number of occasions. A sense of pride in getting things done together exists. For example, there is a magnificent commonwealth-state government funded Multiple Purpose Services Centre, providing medical, hospital, convalescent and community services, which came on stream soon after the credit union was developed. A very active Progress Association exists with several committees skilled at media work and knowledgeable about the political process. Voluntary work sustains much community effort in the town, for example bar staff at the Country Club and teams clearing exotic willows from the riverbed. Progress Association members were unanimous that without community pride, the town would have died.

6. Did you need at least one other existing organisation in the town to be supportive, in addition to a local council? If so, which?

Tom Watson replied: ‘Absolutely! The Chamber of Commerce or the Progress Association. My preference was that they take the lead initially, not the Council. But it really was a case of horses for courses.’

Margaret Lester agrees that more than one organisation was needed to mount an effective CreditCare campaign. A council, alone, was not enough. Emerging from a communication/marketing background, her method, where appropriate, was to approach a post office or supermarket and ask about community groups, then approach one or more, first, before talking to a councillor (rather than a CEO). Lester noted that other field workers, coming from a management or director background, might approach a council first.

7. What would you do where a local council was not interested, but other positive conditions existed?

Councils were not invariably supportive, although most were. Some councillors would attend meetings and offer no further support e.g. Dirranbandi QLD where, initially, credit unions were seen more as ‘community organisations’ rather than businesses and where councillors were keen to attract only economic institutions to town. This perception later changed.

Where Margaret Lester found resistance, she might continue to work with community groups, engendering a sense of 'ownership'. Sometimes, a council would change its mind and offer support.

Tom Watson replied that he would:

> *Wear the Council down and win them over!!!! Seriously, that did work on occasions.*
>
> *One outstanding example of where a Council's only support was verbal was Magnetic Island, a community of 3,000. Mungindi is another example where Council was not part of the solution, though they did lodge a substantial deposit with the new credit union branch on its opening day.*
>
> *Kalbar is an example where the community set the pace and where, through sheer determination, we won the council over.*[31]
>
> *But to return to Magnetic Island. I met first with the business community – and won their unanimous support, then the community at large – and won their unanimous support. I also enlisted the total support of the locally based media and the regional media on the mainland. In the face of what was a substantial (free) publicity program, we secured one of the highest-ever survey responses. That publicity also secured us the former bank premises for a peppercorn start-up rental from its owners, who had relatives in another town helped by CreditCare and were so impressed by that outcome, they wanted to be part of the Magnetic Island solution.*
>
> *I suggest Magnetic Island would possibly be the most successful CreditCare site. The credit union there enjoys majority support from the community at large and the business community. Their market penetration far exceeds that of the major bank they replaced.*

[31] See Tom Watson *'Reflections of a CreditCare Field Officer'* for the further detail of Kalbar and Mungindi.

But to sum up, what I did where Council was not supportive was enthuse, enthuse, enthuse.

8. What alliances/partnerships were developed other than with established organisations and networks with existing authority in a town (e.g. were partnerships developed with recent community initiatives such as LandCare, Main Street etc)? What other bodies did you work with or 'synergies' did you tap? Was it possible to build support from 'grass roots'?

The first and most important alliance was with local government, but there were several others. A major hurdle facing credit unions in rural districts, as noted elsewhere, was that they were not suited to financing primary industry. For example, regulation required credit unions to recover payments on overdrafts in regular monthly instalments, while farmers received cheques intermittently. Primary industry loans business tended to be larger in scale and riskier than credit unions could justify in terms of overall member security. Such anomalies acted as a real brake, precluding potentially lucrative business and reducing the relevance of institutions in some centres. In an attempt to overcome the problem, Mark Genovese negotiated an alliance with the Primary Industry Bank of Australia (PIBA), owned by RaboBank, an institution that had emerged from the Netherlands co-operative and credit union movements. Genovese believed that the alliance would augment the efforts of credit unions in the CreditCare program and improve the access of rural and remote communities to an appropriate range of financial services. In fact, the RaboBank alliance proved to have limited application. Tom Watson records:

When we learned they [PIBA] were owned by RaboBank, itself owned by the Credit Union Movement in the Netherlands, we unashamedly tried to bring them on board as 'brothers'. The alliance met with mixed success, reflecting the autonomy with which PIBA's regional personnel operate. Where *individuals empathised with what we were trying to do, the alliance worked reasonably well. Overall though, it was a disappointment.*[32]

Other alliances developed by CreditCare included a number of state departments keen to extend and improve the range of services to rural communities. In Queensland, as noted elsewhere, the Office of Rural Communities (ORC) appointed the Electricity Credit Union (ECU) as Queensland Government Agent Program (GAP) agent in Dirranbandi. CreditCare also researched new alliances with commonwealth agencies such as CentreLink and Medicare believing that such contacts could see alternative financial services becoming available for rural and remote communities where established branch-type financial services were not viable. Consistent with this, CreditCare examined the application of new technologies like Smart Card. Clearly CreditCare thinking was not confined to traditional credit union 'bricks and mortar' institutions and was headed towards an aggregated services delivery model.

Demonstrating that CreditCare was prepared to 'sup with the devil', where this helped communities, in early 1999 CreditCare worked with Westpac in the Queensland communities of Agnes Water and Town of 1770, after an approach from the bank.

In Bermagui, the Main Street Program happened at the same time as the CreditCare program. These were separate activities, however, but part of a broader positive 'tone' developing in the town. An ambitious Work for the Dole project followed, which saw the community construct a first class sports gym (discussed at Question 11, pp. 95). Townspeople interviewed said the projects were not 'isolated things' but part of a composite event. The ready availability of financial services through the credit union was seen as a seminal influence in germinating this community effort.

Margaret Lester notes an interesting alliance developed between Reliance Credit Union and Advance Energy at Trundle, NSW. The town had a bank branch operating three days a week and CreditCare couldn't help, but Advance Energy provided premises, enabling the credit union to operate. Main Street, she believes, normally operated in towns larger than those in the CreditCare program. There was no formal

[32] *CreditCare News*, November, 1997; correspondence Tom Watson

alliance, but Margaret did notice that Main Street campaigns often followed the installation of a CreditCare facility. Financial services campaigns were also often accompanied by campaigns to save a hospital from closure or to secure medical services.

Tom Watson adds:

> *I did foster 'alliances' with Progress Associations, urging them to take other initiatives which would send signals to the community that the loss of their last bank was not the end, but a new beginning. Coats of fresh paint were one initiative I encouraged in a number of communities…*
>
> *You ask if it was possible to build support from 'grass roots'. Frankly, in my opinion (and experience), unless the undertaking had grass roots support, it wasn't going anywhere. For that reason I put a lot of effort and energy into my public meetings. I had to win over a community which was angry, nervous, largely ignorant about credit unions, being asked to do something they had never done before – support a financial institution in their town from a zero base, and support it from day one. I had to have the group at that public meeting walk out the door as enthusiastic ambassadors for CreditCare and for the solution that they were going to make happen. They had to understand and accept that the Progress Association couldn't make it happen, nor the Council. This was entirely up to them and they had a responsibility to build the essential grass roots support. They had to embrace, without equivocation, the principle of SELF-HELP.*

9. What is a 'gifted community leader'? Is it necessarily someone who holds a position of authority? What positions did some of the 'gifted leaders' you encountered, hold? What were their especial characteristics?

Margaret Lester believes a gifted leader is someone who is respected and has been 'tested' by a community in a position of trust. He/she is not necessarily in a position of authority but someone who can instigate change. A strong church community in a town is not necessarily a sign that a strong community spirit exists. Religious leaders, however, were occasionally involved in community development work e.g. a Barmedman Convent Sister who was a community activist, but there was no discernible pattern.

Tom Watson responded:

> *Let me deal with "special characteristics" first. The first one I encountered had authority (and not much else). He turned out to be one of those "do as I say", not "do as I do" characters and over time that has proven to be the Achilles heel of the particular solution we came up with for that community.*
>
> *The next was a humble, quiet, very successful business owner who had an unabashed love of his community and was determined to fight for it.*
>
> *One could describe the next as a 'living treasure'. She knew everybody and everybody knew her. She was a lone voice on her local council, consistently outvoted by the town-based councillors who oddly enough made up the majority in this thriving agricultural region. They simply did not want her part of their shire to enjoy success. Despite them, thanks largely to her determination, we won the day.*
>
> *The next was a mayor who had achieved an economic miracle in his debt-ridden shire. He too was humble, self-effacing but absolutely determined to see his town survive.*
>
> *The next was a quietly spoken but fiercely determined and successful owner of a small business and secretary of the local Progress Association. He was like a terrier; he would just not let it go.*
>
> *The chap in the next town was exactly the same, and in the next, and in the next.*

I could go on, but I think a pattern is emerging. Generally speaking, they were successful, but humble, with a determination not to see their communities suffer. Not one of them was on an ego trip and most did not want to be in the limelight when their new financial facility opened in the main street. But boy, were they proud!!!!

Community leaders and credit union personnel interviewed in Bermagui and Delegate thought that a gifted community leader displayed the following qualities:

- Someone who listens and has an ability to come up with answers.
- A person of determination, perseverance and an ability to get the job done.
- A dedicated person who is trusted and seen to be trusted.
- Someone with commonsense and an ability to 'prod' people into action; to rally people; to 'push people and make them realise'.
- Someone with an ability to liaise with the various factions involved and a capacity to get people from different backgrounds with different interests and perspectives to agree; to overcome opposition.
- Someone with a sense of commitment to a town's history and its future.
- Often a vested interest, for example, a business interest, is a driving force for a community leader.
- Someone with "mug" written on his or her forehead.[33]

10. What institutional/regulatory factors, if any, hampered application of the CreditCare model?

When CreditCare began, field officer Margaret Lester noted that many organisations were prevented by regulation from banking with a credit union. This sometimes definitely put a brake on things. These restrictions were only gradually removed and not in Victoria until very recently.

[33] Gerry Collins, Bega Area Manager Horizon Credit Union; Janette Neilson, Bermagui Chamber of Commerce, Natalie Armstrong (President), Gloria Cotterill (Treasurer) and Joe Walcott (Member) Delegate Progressive Association.

Reflecting on regulatory impediments CreditCare Field Officer Tom Watson observed:

The perception that credit unions were a second-class institution frustrated us early on, but we quickly demonstrated to communities, politicians and the major banks that second class we were not. In fact CreditCare became so successful that it changed dramatically the attitude of bureaucrats and politicians at all levels of government, to the point where CUSCAL's lobbying efforts with government enjoyed unprecedented success.

On the regulatory front there were a number of hurdles to overcome. One of the most significant was that, by and large, government and semi-government bodies were not permitted to bank with so-called non-banks. One by one, we managed to get that legislation changed in all states.

Another was the stamp duty charged when people renegotiated mortgages with a new financial institution. This inhibited people in 'no bank' towns changing over their mortgage to a credit union willing to set up in their town. We argued they were being penalised for wanting to leave an institution that had deserted their town. Queensland was the first State to amend its legislation to remove this "penalty".

11. CreditCare credit union branches have 'solved problems' in many towns. How do we know this? How do we know credit unions are providing satisfaction banks are not?

Research conducted for CreditCare by the University of Southern Queensland's Centre for Australian Financial Institutions (CAFI) in 1998 focused on the New South Wales communities of Delegate, Nabiac and Mungindi and Magnetic Island in Queensland. The study spoke of positive change. In contrast to the pessimism found in a 1997 study, CAFI found 87 per cent of respondents were more optimistic about the viability of towns, local spending had increased by $1.8 million per annum and there was less need to leave towns for banking services. 84 per cent of survey participants preferred face-to-face personal contact banking, with only 45 per cent using EFTPOS, 39 per cent ATMs, 29 per cent telephone banking and less than one per cent used the Internet. Seventy per cent of businesses were willing to deal with credit unions and more businesses were joining credit unions, but most for costly transaction services such as cash takings and excess cash.

There is no formal study which proves conclusively how and to what degree CreditCare Credit unions 'solved problems'. Certainly, there is no doubt that a credit union solved the immediate practical problem of a town having no bank. Margaret Lester encountered much anecdotal evidence in developing progress reports supporting a view that the credit unions made a real difference, encountering many people who claimed that 'the town got going when the credit union arrived'. She acknowledges, however, that other economic factors may have had as much effect e.g. an upturn in commodity prices or the revival of an industry.

(i) Bermagui

A CreditCare postal and door knock survey in Bermagui in 1999, about eighteen months after the credit union branch opened, overwhelmingly confirmed the view that the extension of credit union services had had a positive impact on the confidence of the business and the general community: 93 per cent of postal survey respondents and 92 per cent of the door knock respondents said the credit union had made them more optimistic about the future viability of their town.

CreditCare officers were aided in their work by consultation with the HCU Local Area Committee representing salaried employees, small business people and retirees. This had been formed to provide an interface between the residents of Bermagui and surrounding areas and HCU and to:

- Perform as a local level problem resolving mechanism between credit union members and HCU;
- Promote HCU ideals and objectives to members and potential members;

- Promote the Credit Union's products and services to members and potential members through appropriate publicity at social activities and other events within the Bermagui area;
- Recommend to the Board of HCU any initiatives which are seen as being relevant to the needs of members in the Bermagui area;
- Recognise genuine cases of member hardship where HCU might be of assistance to the member; and
- Recommend sponsorships for members within guidelines provided by the Management of Horizon Credit Union.

When asked to measure the actual *extent* to which the opening of the credit union had contributed to the community, postal survey respondents reported the following:

89% contributed to the improvement of town confidence
82% encouraged residents to shop in the town
75% improved savings habits
69% encouraged new business
66% increased employment opportunities
52% reduced potential for crime.

Seventy-five per cent of credit union non-members who responded to the question on 'town confidence' believed that the credit union had improved town confidence to 'some extent'; most believing this had been 'significant'.

CreditCare Field Officers Margaret Lester, Cathy Fortescue and Gray Malone found the local economy, which was still reliant largely on tourism, commercial and sport fishing, now benefiting from a 'Seachange' phenomenon of younger urban retirees and professionals seeking quality of life in a rural, coastal setting. The town was progressing slowly, but steadily. With fewer jobs in the timber and commercial fishing industry, employment in the area was still limited, however, and the number of young families moving to work in the town had declined. The town's population was increasing slowly, but the rate of increase had slowed since 1991 and the population was older. The local primary school had declined in numbers from 210 in 1997 to 160 in 1999. Prior to 1997, student numbers had been growing.

The Bega Valley Shire Council had received nearly 30 new building applications from Bermagui in the previous financial year. There were now 703 dwellings in the town with approximately 75–80 per cent of these occupied on a permanent basis. Seven new businesses had opened – a supermarket, hairdresser, butcher, combined real estate/gallery/video shop, a coffee shop and two light industrial businesses. There had been only one business closure. Property values were steadily rising and one real estate agent believed this to be a flow-on effect from the credit union opening. Respondents also noted that business had been drawn to that part of town where the credit union now operated.

The town was (and still is) rich in social capital, with no fewer than 40 service clubs, generous business contributions to community activities and a volunteer tourist information centre, which operated seven days a week. Alternative financial services included:

- an ATM in the Country Club;
- approximately 15 EFTPOS outlets;
- post office giroPost (not business banking); and
- daily courier banking service to Bega ($5.00 per customer).

While the credit union offered a full range of financial services, many were still quite poorly utilised. When the branch was established in 1997 the town had been without a bank for six and a half months and many townspeople had made the adjustment and conducted their banking in Narooma or Bega. One consequence of this was that credit union savings had grown ‘exponentially’ while new loans raised had been very slow. A sizeable group, however, used Visa and Redicard/ATM, term –investment accounts and insurance. The branch was open only four days a week, 10 am to 3 pm. It did not operate on Tuesdays, which some residents saw as a problem, especially for trading after long weekends and for school children. (This problem was later corrected). The friendly ‘face to face’ service the institution offered was widely appreciated and the community valued and respected the professional approach taken by staff. The credit union was widely regarded as a well-respected, highly visible part of the community's fabric, involving 711 members from a town population of 1,196 (approximately 60 per cent).

Only 20-30 per cent of respondents nominated the branch as their sole financial institution, however, with most respondents happy with existing arrangements with major banks in Narooma or Bega. (This changed after the Narooma bank also closed). A significant number of business respondents thought the credit union did not cater adequately for their needs, nominating business hours, business cheque accounts, payroll services, unsuitable deposit books, leasing requirements, competitive, flexible lending packages and the availability of convenient alternatives e.g. the supermarket EFTPOS, as reasons. Certainly, the survey suggested that the business community, while looking favourably upon the credit union, did not see credit unions as the preferred option for business banking, with many respondents remaining 'loyal' to the major banks. This was seen to be consistent with a mistaken perception that credit unions were 'community' organisations, rather than 'economic' organisations.

The CreditCare progress report noted that overall spending in the town had increased by $756,000 per annum since the credit union opened and suggested a strong link between the advent of the credit union, town confidence and increased town turnover and other economic activity:

> *The overwhelming majority of respondents believe that the credit union has had a positive effect on town confidence and there is sufficient evidence to conclude that the positive effects of the credit union include increased business turnover in the town.*

However, Lester and Fortescue concluded:

> *While this information is not regarded as totally precise, given the ad hoc nature of the replies, it is a <u>guide</u> to the relationship between the spending patterns in the town and the establishment of the credit union.*

Bermagui community leaders interviewed in fieldwork for this report believe that the credit union has helped 'bring people together' and resolve tensions between the local tourist industry and residents, who were now joined as members of the credit union in a common cause. That is, the credit union has helped to develop a more cohesive community. At a practical level charter operators, who would not accept cheques from 'fly by night' tourists, were able to resume full time operations after the institution opened, stimulating the town economy and helping to build the recreational fishing industry. There was an overall boost to business in that a safe, convenient place to deposit money now existed, saving a half day banking trip to Narooma or Bega, doing away with security worries and expense. Garage proprietors noted a marked pick up in business since the credit union had opened. Senior citizens were delighted with the institution, situated between the post office and a cafe, which now served as an important social meeting place. The credit union precinct was a place to meet friends, to be recognised, to be seen to 'be paying your way', doing business in town and having a chat. Everyone knew everyone else on a first name basis. Senior citizens often brought flowers to the local staff and they were delighted. The opening of the credit union had engendered a sense of achievement and built confidence, which had a roll on effect, inspiring other projects. One example was a magnificent sports gymnasium, which involved the co-operation of community leaders, council, the Chamber of Commerce, the Commonwealth Government's Work for the Dole Scheme, retired builders, tradesmen, unemployed volunteers and TAFE trainers. Since the credit union opened, the community has also rallied in support of a Rural Transaction Centre, improvements to the Surf Club and is now considering a boat launching facility proposal. Many of the people involved in these projects were also involved in getting the credit union off the ground. The credit union, *per se*, was not responsible for these improvements to town life and economic activity, but the sense of achievement and the overcoming of adversity, which were part of its creation, were key factors.[34]

In 2001, the Bermagui HCU branch remains primarily a 'deposits' branch, enabling loans to be made in other areas where HCU operates, strengthening and developing

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[34] Janette Neilson, President Bermagui Chamber of Commerce, former councillor, Bega Valley Shire Council.

communities elsewhere while providing vital savings and transaction services in the town. Although local loans are growing slowly, a few ‘quality’ loans exist.

Everyone says the facility has been an outstanding success. Now, approximately 95 per cent of the district’s population is a member and several town businesses have switched to the credit union. There has been a recent surge in membership following the closure of a Narooma bank, to which many Bermagui accounts had moved after the closure of the Bermagui bank.

The Bermagui Rural Transaction Centre (RTC), the application for which was aided by CreditCare, will bring together an extensive range of services under the one roof with easy community access, for the first time. This will include a new building attached to the existing community centre, which will house council offices, a purpose built library, a tourist information centre and access to government services, particularly for the elderly. The Horizon Credit Union decided not to house the RTC because its existing premises are not spacious enough and because the credit union was reluctant to move from its well-placed location in the business centre. There was also some initial concern that an RTC could introduce a ‘back door’ erosion of business, affecting the small market. Indeed, banks approached the RTC committee but the council declined in the broader public interest. This is a good example of a decision being made with community values in mind and not entirely governed by commercial considerations. HCU is involved with the RTC on a three-year basis pending public support. The existence of a post office giroPost next door to the credit union has intensified competition, but has also ‘grown’ the overall market and provides members with greater flexibility in accessing cash. Similarly, access to an ATM taking credit union cards is seen as augmenting the credit union’s business, not competing against it.[35]

(ii) Delegate

[35] Gerry Collins, Bega Area Manager Horizon Credit Union; Janette Neilson, Bermagui Chamber of Commerce; Margaret Lester and Cathy Fortescue: *Bermagui: Progress Report,* May 1999. The survey mail out (600) was severely curtailed by Australia Post’s policy of not delivering unaddressed ‘junk’ mail to households. Only ninety-five responses were received, a poor return. A door knock of households and businesses (47) was more successful and virtually everyone contacted was responsive – and positive.

The townspeople of Delegate were virtually unanimous in July 1997 when CreditCare Field Officer Cathy Fortescue conducted a performance survey of the credit union in that town - 63 of the 64 respondents answered ‘yes’ to the question ‘Has the establishment of a credit union had a positive impact on Delegate?’

Delegate community leaders interviewed in 2001 for ACCORD were adamant that the credit union ‘turned around’ the morale of the town, which had been very low. They were deeply moved by the fact that Piccol Credit Union, an ‘outside’ institution, ‘had faith in us’. Before, business had been going backwards and the school population was shrinking. Lately, the town has been experiencing a slow turn around. The local economy is benefiting from a new soft wood timber industry, wool prices are picking up, record prices are being fetched for beef and lamb and a very impressive Multiple Purpose Services Centre has been developed in the town, providing medical, hospital, convalescent and other community services. These developments obviously are not *because* of the credit union but the fact that the institution exists means that more economic activity stays in the town and does not trickle elsewhere. Community leaders believe the credit union has helped a more cohesive local economy to develop, attracting cross-border involvement from surrounding wool and timber communities at Bendoc, Bonang and Tubbut. Even some business, disenchanted with banks, was being attracted back from Bombala. In November 2000, the credit union had 411 members and was attracting new members at the rate of 4.5 per month.[36]

(iii) CreditCare credit unions and economic activity

Credit unions in Bermagui and Delegate have both attracted strong support from local community organisations, taking deposits from small groups seeking free financial advice and a safe place with a fair, fee-free return for funds. In Bermagui most community groups deposit funds in the credit union. The Country Club is a major payroll depositor, various other businesses and industries circulate wages through the institution, especially in the tourism and hospitality industries. At Delegate, the

[36] Natalie Armstrong, Gloria Cotterill, Joe Walcott: Delegate Progress Association; Cathy Fortescue, *Performance Survey Delegate*, July 1997.

Progress Association, Parents and Citizens Association, Country Club, pre-school, Cricket Club, 'footy' tipping club, school football and netball teams, Angling Club, Tennis Club, Historic Committee, River Committee, Show Society, School of Arts Committee, Red Cross, Bush Fire Brigade, LandCare Groups and Legacy support the credit union with business. Advantage Credit Union in turn financially supports these organisations.

Evidence confirming a necessary link between the advent of a CreditCare facility in a 'no bank' town and improved town economic activity, however, remains largely anecdotal and it would be premature to assume that one exists. It would be equally tendentious to assume the contrary, however, in the absence of a rigorous economic analysis, which also does not exist. We simply do not know whether increased economic activity in Bermagui, Delegate or other CreditCare towns is solely, partly or not at all attributable to an institution's activities. It would be reasonable to assume, however, that the Bermagui and Delegate institutions have played a positive role in the towns' improved economic performance and extreme to allege that it hasn't. Conversations with townsfolk strengthen this view.

Whether the positive economic impact is attributable to the co-operative structure of the institution is equally problematical and is not made apparent by CreditCare reports. Discussion with residents, however, suggests that the self-help *philosophy* of these democratic organisations, reflecting communities' concerns for the greater good, is important to them, more so than *structure*, about which they seem to know and care little. Trust is highly valued in these communities and the facts that credit unions are member-owned institutions, is seen as important.

12. What does the CreditCare experience tell us about the capacity or otherwise of co-operative financial institutions to meet need in depressed/small communities *vis a vis* other financial institutions? What would be gained by a more extensive visit to a town to inquire into this question?

Margaret Lester believes that credit unions, which are member owned institutions, have more flexibility in many ways than 'for-profit' organisations because 'we do not have to reward investor shareholders'. Nevertheless, the field officer continues, communities were in the main simply seeking financial services, and the structure was not particularly important although the idea of *self-help* was, because in many cases, they did not trust outside help. The fact that CreditCare was there to assist a self-help initiative was proof in itself that credit unions were different, and that was sufficient a basis upon which to build trust.

In response to this question Tom Watson said:

> *Such communities will enthusiastically embrace the co-operative model. Co-operation is in their genes, for without it they would never have survived the rigours of life in rural Australia. They no longer feel the major banks are for them, but can quickly adopt a credit union as being 'my credit union' rather than 'the credit union'. The shareholder/ member concept was a real winner.*
>
> *The CreditCare experience demonstrated credit unions can deliver the range of financial services these communities need and can do it more efficiently, at lower cost (generally), and in the friendly face-to-face manner that is the accepted way of doing business in these communities.*
>
> *A visit to one of these towns would confirm both of the above points, with the remote town of Mungindi being a great example. It has become a credit union town, and one which has applied the principle of self-help to other ventures it has undertaken since its credit union branch opened.*

Bermagui community leader Janette Neilson believes that 'the co-operative nature of Horizon Credit Union [Bermagui Branch] is indicative of what the town is about — the town cannot survive without co-operation and it is the same in all rural communities.'

Delegate community leaders were greatly impressed by the host credit union's socially responsible behaviour and by 'credit union people' from cities involved in the project's development. The feeling was that a philosophical empathy existed, transcending the urban-rural divide. At Delegate, the entire community, not just members, is invited to an annual 'birthday party' to celebrate the day the institution came to town. The credit union organises school events, luncheons, and barbecues and provides ready access to financial advice on the main street. It behaves as a responsible corporate citizen and does not 'push' products which might collide with existing business interests. An unspoken agreement exists to *co-operate* in the interests of broader community well being, rather than to pursue self-interest. While the business community, with few exceptions, still does not direct business through the credit union, a great deal of informal co-operation occurs involving all sections of the community, including business people.

As to the democratic nature of the Delegate Advantage Credit Union branch, leaders said that elections for the (formerly Piccol) board were centred in Melbourne and locals had no idea for whom they were voting. However, the community was happy to trust the credit union manager to advise them, because she was a local woman. A Local Area Committee functioned for a while after the credit union opened to ensure local input, organising the annual dance for example, but again these functions have been entrusted to the manager. On a lighter note, not to be outdone by Bermagui, where ladies bring staff flowers, in Delegate ACU personnel claim it is the *men* who bring them flowers.

The ACU credit union branch manager, Merilyn Matthews, formerly a manager of the bank which abandoned the town, has 'worked in the same room for twenty-seven years'. She has noted a 'before and after' effect in the town. Matthews and her staff are conscious that the 'person on the other side of the desk is the owner of the organisation', not someone in Sydney or Melbourne. She sees her task now as 'keeping members satisfied', not generating profits for invisible shareholders. She is constantly in contact with the owners, meeting them everywhere around town and exchanging ideas with them about products and services. She is close to the community and always recruiting new members in her social and business activities.

Matthews noted that whenever banks announce record profits, or more fees or closures, there is a surge of applications for membership of the credit union.[37]

HCU Bega Area Manager Gerry Collins said that while banks and credit unions are businesses providing best quality products with integrity, they embody completely different motivations: profit and service, respectively. ‘We live for our members and through protecting members we protect ourselves.’ Some credit union managers interviewed believe that credit unions can do everything a bank can do, better and cheaper. While they cannot match bank interest rates, lack experience in business lending, face regulatory barriers and cannot issue bank cheques in their own right, credit unions do have fewer fees than banks and generally are able to deliver services quicker and offer members free financial planning seminars and advice. Another former manager with a corporate background was not so sure, citing regulatory compliance, technological and ‘cultural’ factors, which hampered performance.

All interviewees agreed that CreditCare credit unions are perceived to be ‘home grown’ friendly institutions which, generally, supply members with everything they want in the way of financial services and will go out of their way to be flexible in arranging this. They are seen to be close to the community and understand a small town’s need for privacy, personal service and ‘ownership’.[38]

13. What are the Essential Differences between Credit Unions and Community Banks?

It is arguable that both the CreditCare and community bank development models are based on self-help. Credit union personnel interviewed for the present study, however, were unanimous that credit unions are about providing viable services to members on a ‘not for profit’ basis, rather than exploiting a niche opportunity for shareholder value, as community banks do. In practice, CreditCare self-help initiatives have involved more voluntary and other in kind inputs than capital investments *per se*, for

[37] Natalie Armstrong, Gloria Cotterill, Delegate Progress Association; Merilyn Matthews, Manager Advantage Credit Union Delegate.

[38] Gerry Collins, Bega Area Manager, Horizon Credit Union; Merilyn Matthews, Manager Advantage Credit Union, Delegate; Aafke Barkland former Manager Horizon Credit Union Bermagui Branch.

the creation of financial services. Nevertheless, ‘no bank’ communities, which have the capacity to make a major investment in full bank services, have since 1998 had the choice of a community bank and have been taking that option in numbers.

While community banks, patently, are becoming popular, and some communities have actually rejected the credit union option in their favour, Margaret Lester notes that this tends to be in more affluent areas. For example, in 1998 CreditCare conducted research and had a small credit union interested in opening a branch in Minyip and Rupanyup in Victoria, but the community decided to develop an agency of the Bendigo Bank, which was able to provide a wider range of services. CreditCare assisted the community by handing over the research to leaders of this wealthy, confident community, even though a disappointed prospective credit union host believed it had much to offer.

Lester observes that community banks seem to be driven by strong leaders; single ‘drivers’; more so than the CreditCare co-operatives, which relied more on grass-roots networks. Different communities favour different approaches. In Boorowa NSW, for example, a few articulate individuals have promoted the community bank idea although opinion is split and a small credit union facility already exists in business premises. ‘It will be interesting to observe the functioning of the two institutions in this town’, Lester concludes.

Community banks have become popular in a short time but they are not suited to all communities and it is still too early to know how they will develop. While the CreditCare model did involve a community in some expense, normally through a council’s financial support and other subsidies, these costs were negligible compared with a community bank. Like a credit union, community bank shareholders are limited to one vote, but, unlike credit unions, depositors are not necessarily shareholders. Also unlike credit unions, community bank shareholders can nominate to have investments repaid from profits and vested in the bank or yield dividends. Credit unions are not geared for profit sharing but for service to members. It remains to be seen to see how community banks will behave in rural centres in periods of industry downturn or restructure, natural disaster, or when subject to depopulation or regionalisation, for example. Previously, in such circumstances, major banks could make finance accessible from external sources, providing some insulation against fluctuations – until towns became low profit centres and were abandoned, that is. The dual functions of viable banking with profit share, now served by Bendigo Bank in some communities, have not yet been tested over time.

HCU Bega Area Manager Gerry Collins is convinced that community banks are 'totally opposite' to the credit union model, referring to substantial up-front costs while 'credit unions in the CreditCare program did not cost communities a cent', apart from council investments and community donations. Credit unions are 'not about serving self-interest; they exist to serve members' interests and to this extent have a community's interests at the heart of operations', Collins believes. 'Banks, including community banks, exist ultimately to serve the self-interest of customers and shareholders and patently do this well. They do not exist for overall community welfare.'

What strikes one about the literature promoting community banks is how similar it is to earlier CreditCare material. The same claims about caring, community involvement, increasing confidence, retaining funds in the community, sharing the benefits and improved economic performance are there. What is odd about it, however, are claims that community banks represent a 'new way of thinking to service the rural sector … a new direction in a sector which has a notoriously bad image'. Clearly, banks have had a bad image; at least among customers; but the distinction of 'hatching a new way of thinking' to service rural communities with financial services really does belong to CreditCare. Neither does the entire finance sector have a bad image – certainly not credit unions, the community bank's main rival for 'hearts and minds', which consistently score well in surveys of public opinion.

Economists Di Thomson and Malcolm Abbott believe that community banking, although strictly speaking not conducted on a mutual basis, possesses some of the advantages traditionally associated with mutual financial organisations, including a 'contractual solution to information costs'. They attribute this to a mutual's 'bond of association', which relates to members' common interest. They also suggest that default monitoring costs and bad debts are likely to be reduced by dint of the fact the community bank shareholders and depositors live in the same place. Their idea of 'bond', however, is outmoded, confined by occupation, religion, recreational pursuit or location. Certainly, credit unions long ago discarded such a definition. The Electricity Credit Union (ECU), for example, could not have responded so flexibly to CreditCare's approaches over such vast distances in Queensland, had it been confined by this idea of 'bond'. ECU's bond extended to 'Queensland consumers of electricity', wherever they were.

If community bank transaction and contractual benefits are located in a bond of association, as Thomson and Abbott believe, then the CreditCare experience suggests banks will need to monitor this closely in suburbs and towns in the event of 'seed capital' shareholders divesting shares to external investors. Credit unions, operating on a more flexible bond than community banks, also have more experience in developing bonds at regional and national levels. The implications for community bank competitiveness, as bonds of association are diluted, remain to be seen.[39]

The modern credit union movement has functioned in Australia for over half a century. It has extensive experience as a decentralised national organisation with millions of members. CreditCare instigated branches and agencies, which have been operating for several years as outgrowths of institutions with many decades' experience, occupy a niche in retail financial service markets in 'no bank' towns, providing member services on a 'not for profit' basis. There has been only one closure of a CreditCare institution to date (following an amalgamation). All others have achieved viability in their own right or through participation in the RTC program, for example. Community banks have a long way to go to match this practical record of achievement.

Profitability, dividends and profit share are measures of a community bank's success and are required to serve investor expectations in a way credit unions never were. At time of writing, Bendigo Bank has thirty-nine community banks and agencies

[39] Di Thomson and Malcolm Abbott *Community Banking in Australia, op cit.* pp. 213-214.

operating, but only about fifteen of these are profitable. More than seventy community banks are expected to be operating by July 2002. Whether 'back office' costs absorbed from scattered franchises will continue to be cost-effective is not yet clear and, notwithstanding their obvious popularity, the question of sustaining profitability commensurate with investor and community expectations remains open.

Thomson and Abbott believe that the franchise model adopted by community banks is exemplary in many ways but that a number of problems will need to be overcome if they are to survive:

> *The problems associated with risk concentration and liquidity concentration could be potential threats to their survival …Where branches have been closed because of a decline in banking business, community banking will find it hard to survive. Obviously, a community bank branch will have to encourage greater amounts of quality custom, as well as restrain costs relative to normal bank branches. In these circumstances, they will have to take full advantage of all of the benefits that a close-knit organisation possesses if they are to survive and prosper.*

Credit union history illustrates how new financial institutions benefit initially from a cohesive bond of association and strong community support this engenders. In time, however, economic imperatives oblige institutions to dilute the bond of association and 'managerialist' agendas tend to take priority. Credit unions have many decades' experience grappling successfully with this phenomenon in contract theory, which community banks are yet to deal with. Investor-owned, 'for-profit' community banks also appear to be no less vulnerable to the vicissitudes of low profit centres jettisoned by other banks than CreditCare institutions. The difference is that CreditCare's progeny are attached to autonomous hosts, not a franchise chain. It remains to be seen whether the community banks will develop a branch network, owned by Bendigo Bank, or a series of independent franchises. In either case, it seems probable the outcome will vary from the CreditCare model, which combines the benefits of local identity and autonomy with economies of scale achieved through special service providers like CUSCAL or CreditLink.

Thomson and Abbott conclude:

> *In the long run, it is probably technical change that will determine if community franchise banking, with its emphasis on face-to-face customer service, will survive…. It is possible that branch banking, as Australians have known it for the last one hundred years may disappear taking the community bank branches with it. The survival of community franchise banks, therefore, will depend on their ability to take full advantage of the benefits that flow from community involvement.*

Investor shareholders are not immune from take over, especially in adverse circumstances. Certainly, the major banks 'welcome the competition' from community banks and are watching developments with interest.[40]

14. What examples best instance the differences between a town with a CreditCare instigated credit union branch and a town with a CreditCare instigated RTC?

Margaret Lester recalls that the first CreditCare instigated RTC at Eugowra NSW, developed in association with Reliance Credit Union, was formed after a new stand-alone credit union was seen to be not viable. The credit union now operates services in the centre on an agency basis, paying the RTC a commission on business transacted, and providing training.

Another interesting example is at Urana, south of Wagga Wagga. Before the introduction of an RTC Wagga Mutual Credit Union's opening hours were very short. Now, the credit union and the RTC operate five days a week out of council chambers.

The New South Wales town of Trangie is a good example of a town with a CreditCare facility, which initially decided that it *did not* want an RTC but subsequently made an

[40] ABC Radio National, *Life Matters,* 7 May 2001; Di Thomson and Malcolm Abbott *Community Banking in Australia, op.cit.*, pp. 214-215.

application for RTC funding. There are other examples of CreditCare towns where credit unions are adopting an RTC model in-house (e.g. Delegate) and others where RTCs are being developed separately from the credit union (e.g. Bermagui, where premises were not large enough).

Tom Watson replied to this question:

> *There really is only one difference. In the case of the RTC, funding was provided by the Government to prepare a business plan and, if the business plan was approved, further funding to cover start-up capital and initial operating expenses.*
>
> *In the case of the original CreditCare model, funding (provided by the Government and CUSCAL) covered costs only to the business plan stage. From there on the community and the credit union was on its own. In part, that is why it became difficult to attract more credit unions into the CreditCare program.*

With regard to identifying an institution which has received no subsequent development work through CreditCare, for comparative purposes, discussions with CreditCare personnel suggest this is not a particularly fruitful line of inquiry. CreditCare has in all instances engaged in follow up work as part of the development plan and as a logical process in the improvement of services.

15. In what ways does the RTC methodology differ from the CreditCare model? What are the strengths and weaknesses of the RTC model? What factors existing in the CreditCare model should be considered in developing a critique of the RTC model?

Margaret Lester believes that CreditCare was able to 'kick start' the RTC program precisely because of the trust the former had already established in communities in the face of earlier neglect and adversity. CreditCare successes had demonstrated to towns unfamiliar with credit unions that self-help really could work and, now, here was a model which guaranteed 'set-up' costs.

Lester thinks the RTC program is 'potentially wonderful' but adds that while CreditCare was focused on self-help and community ownership, this is not so immediately apparent in the RTC model. The RTC model can work, so long as it doesn't 'lose focus and become a centrally driven government attached program detracting from the self-help concept and creating a dependence'. The CreditCare model, comparatively, was 'clean' in that it had a clear objective – providing financial services - and was seen as independent of government.

Tom Watson is convinced that CreditCare played a key role in informing RTC policy and that the funding formula proposed: 80 per cent capital and 20 per cent for initial operating expenses, which overcame the establishment cost hurdle; emanated from a CUSCAL submission to the Hawker Inquiry:

> *The aggregation of services was very much along the lines of the model we had developed for places like Herberton and later in Dirranbandi. The stipulation that only not-for-profit incorporated community organisations (or Councils) could apply, seemed to us to enshrine the [Credit Union] Movement's self-help philosophy, a ringing endorsement for our philosophy. That stipulation also recognised the unique solution we had fashioned in Kalbar.*
>
> *When we started in CreditCare in 1995, Mark Genovese said our biggest challenge was to do ourselves out of a job, by forcing an attitudinal change. It seemed to me we had met the challenge, not only as made manifest in the Government's RTC Program, but by the emerging change of attitude by some of the major banks to the matter of branch closures in rural areas.*

Watson later added:

It is no accident that the RTC Policy embraces the concept of a single centre, supplying aggregated services, operated by not-for-profit community organisations. It is the Herberton and Kalbar solutions combined.

It is a credit union solution by another name, with the start up capital and initial operating costs funded by the host, in this case the Commonwealth Government.

And which financial institution would the Government most prefer to see as partners in these community-run Rural Transaction Centres …. Credit unions.

The Rural Transaction Centre Program is potentially CreditCare's greatest legacy to the Movement. It is a legac, which presents a growth opportunity we are unlikely to see again. Whether the Movement has the will or the inclination to respond remains to be seen.

In other correspondence, Watson reported:

First, let me stress these are my personal views.

In the case of CreditCare we were allocated funds and told to get out and find solutions. We were accountable, but nobody sat in judgement of us every step of the way. They put their trust in us to deliver and we responded to that trust.

The RTC model in itself is based on an aggregated model developed by CreditCare, but rather than being driven by a free-spirited and innovative team, it is hamstrung by bureaucratic processes which rob it of its vital momentum. It seems to me that bureaucrats with one eye on the next rung on the ladder of promotion have also inhibited the success of the RTC program.

I chose to 'retire' soon after the program became a reality because the changed operating environment was not one that appealed to me (nor did the prospect of having to work with the mainstream banks). I am a credit union *person and CreditCare allowed me the privilege of extending the influence of the Credit Union Movement.*

Against this it should be noted that DOTRS considers the 80:20 split between capital and operating costs, suggested by Tom Watson, to be incorrect in relation to the RTC program. Watson's views about the government preferring to use credit unions as a financial provider are also considered to be wrong. While the government is committed to assisting the provision of financial services through RTCs, it is up to the communities and financial service providers as to which ones are finally installed (Correspondence Linda Holub, Assistant Secretary Regional Services and Local Government Branch, October 2001).

16. What lessons has the CreditCare experience revealed to field workers concerning successful community development?

Margaret Lester is convinced:

…success lies within a community itself. It is contingent upon the people in a community wanting to own and control the future of the community. In general, rural communities are very concerned about the future. They require help; and the RTC model is potentially excellent; but in the end they want to feel they own and control the direction it takes.

Lester observed that field workers are different and use different approaches. The thing about CreditCare Field Officers was that they all had a background in credit unions (with one exception in Western Australia); they believed in credit unions as self-help institutions and had their heart in the project. It was a 'passion', not five days a week, but seven days a week and all hours. CreditCare Field Officers were also acutely aware of their responsibility to the existing members of a host institution, as well as to future members of a new institution.

While field officers were committed to credit unions first, they were in addition committed to whatever 'worked' for a community and were prepared to work with building societies, banks and other financial institutions in helping to solve a community's financial services problems.

Field officers effectively 'worked off each other' complementing each other's particular talents. Some would perform the 'spadework' while another might be the 'evangelist', with each successful in their role and necessary in working with communities. Lester continued, 'We used a basic communication model: message – changed through social "static" - decoded in terms of recipients' experience - returned message to originator - "de-garble" etc. There was nothing fancy about it.' CreditCare used this simple approach to develop a keen understanding of what communities wanted.

Some field officers, however, worked in 'tough' areas where a willing credit union host was not easy to find while others worked in areas where strong credit union support existed and a willingness to start a new institution, anywhere, within a credit union's bond of association, e.g. ECU and 'electricity consumers' in Queensland.

Field officers employed by the New South Wales Government initially performed similar functions and used a similar methodology to those in the Commonwealth-CUSCAL joint project, but this changed over time. The focus in NSW swung more to business; researching business needs and business supports in small towns in targeted areas in the light of new technology; rather than on communities, as such. The RTC model naturally dovetailed with this orientation.

Tom Watson was of the view that:

> *Selecting the right sort of people as front-line field workers is critical. There is no substitute for life experience, so maturity is an important factor. They need to have a genuine love for small communities, not an academic interest. They need to be enthusiastic, frank but diplomatic, innovative, imaginative and decisive. They need a good back up team for research and administration and supportive leadership.*

Those involved with a community development program need to be absolutely convinced of its worth. Country people are quick to pick up on insincerity.

They need to be able to recognise which communities have reached their 'use by date' and the courage to step away. I saw examples of blatant waste of taxpayers' money in some communities, which I could only conclude had something to do with vote buying. One such community – which had its hand out again - made me so angry I refused to go back to it.

You need to work with a local 'hero', a mover and shaker.

You need to be able to help the community create a vision of its future and have them embrace that vision with passion.

You need to be pro-active about publicity. You can't visit every household, but the media can. A good news story like CreditCare can command front page, at no cost.

PART 3	CASE STUDIES

Discussion, which considers the experience of a CreditCare field officer modifying the credit union model to suit different conditions in various communities, is adapted from:

- Tom Watson, *Reflections of a CreditCare Field Officer*: a personal account of four years spent working with rural communities helping them regain access to basic banking services (n.d.);
- Tom Watson, Address to Australian Credit Union Historical Co-operative Ltd Convention 2000;
- Tom Watson, Address to Queensland University of Technology Research Forum: *Business in the Bush: Advancing the Agenda*, 8 November 2000.

The author gratefully acknowledges Mr. Watson's generous support of the research. Case studies illuminate support given by local and state government, business and voluntary groups in developing financial services through CreditCare using various models: aggregated services, partnerships, member services centres, community bank or RTC.

1. Local Government Support

(a) Surat

Feature: In Surat, the Warroo Shire Council bought the former bank building, rented it to a credit union at a peppercorn rate and placed its own corporate banking with the host credit union as a further demonstration of support.

Through the late 1980s and early 1990s, like many rural communities, the people of Warroo Shire, south of Roma in Queensland, had battled drought - one of the most prolonged of the last century, falling commodity prices and withdrawal of government and private sector services. The Council had inherited a huge debt.

By the end of 1995, however, led by a determined mayor, the council was debt free and optimistic. ‘They had thumbed their nose at the adversity which threatened to engulf them and had engendered in the community an air of optimism’. The council had almost completed plans for a major new community centre housing a Cobb & Co museum, library and art gallery and inland-rivers’ aquarium. Nevertheless, Surat’s population had slumped to 380.

Then in May 1996 the bank, which had served the town for more than a century, announced its imminent closure. In June the mayor called CreditCare and Watson drove to the council chambers to meet him. Watson remembers:

> *He turned out to be a lean, grey-headed grazier, with a twinkle in his eye and a manner that was considered and deliberate. His strength of character was plain to see. [He] escorted us over to the community hall and in we walked to a standing room only reception. Even the school had been closed for the afternoon and all the students were there, with their parents and teachers.*

The mayor introduced Watson to the meeting:

> *I found myself standing on the stage of the community hall in Surat, looking out on a standing room only audience of farmers and graziers and their families, small business people from the town and all the kids from the school, along with all their teachers. The whole town was there ... and they were angry, confused and concerned. They also had an expectation that we could help solve their problem. I have to confess that for the first time since I had joined the CreditCare team, it hit home to me that we had taken on a huge responsibility.*

Watson told them about CreditCare, Raifeissen, Australian credit union history, self-help and co-operation, the range of services a credit union offered and the new alliance CreditCare had forged with PIBA. Referring to credit union pioneers in Australia, who had started in parish halls and works amenity rooms, Watson challenged the council to purchase the former bank building as a home for a credit union branch, trading part-time to begin with, five days per week and employing local people.

After Watson fielded questions, a representative of the Commonwealth Bank, who was there to promote an off-line agency at the Post Office, spoke. He acknowledged that a credit union branch could offer a much better service.

> *The buzz in the hall was contagious and when [the mayor] asked for a show of hands on whether the community wanted to work with CreditCare, the vote in favour was unanimous. It was one of those times when I felt very proud to be part of the Credit Union Movement.*

When CreditCare received a positive response to a survey, the task of finding a credit union willing to serve Surat began:

> *By a process of elimination, I found myself courting Queensland Teachers' Credit Union. I rang their Chairman… and said I would like to meet with him and his General Manager.*
>
> *I told them what had happened in Surat, told them about the community and its response, told them if they did agree to open a branch there it might well turn out to be a 'net depositor' and asked, if we prepared a formal submission, would they take it to their Board? They agreed.*

A proposal was prepared and placed before the credit union and the council. It called for the Council to provide premises at a low initial rental and to place a significant portion of its corporate banking with the credit union. It also called on the credit union to open a branch facility, trading part-time, five days per week. Both parties accepted the proposal, in principle, and a meeting was arranged, in Surat, to refine the details. Meanwhile, the project hit upon a problem: the vacating bank was creating difficulties over the sale of its former premises, leading to lengthy delays:

... It was a very frustrating time, particularly for [the mayor], because he could see the impact the delay was having on his town. The bank had closed and with every week that passed, more and more people were travelling to Roma to do their banking and begin shopping there. Businesses in Surat's main street were starting to run down and shelves were becoming bare. The town was literally starving for cash. People were even paying for things with pre-decimal currency that had lain in the bottom of drawers for years. Things were getting pretty desperate and morale was crumbling.

In August Queensland Teachers' confirmed they would open in Surat and, soon after, the Warroo Council finally secured the bank building. Watson recalls the opening in October 1996:

Mark [Genovese] and I were driven out ... to meet up with other VIP's, where we boarded one of Surat's proudest possessions, and old Cobb & Co coach, for the run back into town. As we turned into the main street, we couldn't believe our eyes. Both sides of the street were crammed with people of all ages. They were there to celebrate the re-birth of their town.

As we began moving across the road to a park for a barbecue lunch, one old lady grabbed my arm and with tears in her eyes said, "Thank you for believing in my town". Then a business owner stopped me and said, "Tom, we've had a taste of what it is to be a no bank town and we didn't like it. If the credit union had opened a month later, my business would not have survived". It made me feel very humble and at the same time, proud- proud of the team who had made it happen and of the people of Surat, proud of their commitment to the principles of cooperation and to the philosophy of self-help.

The project was successful. By 2000, the population of Surat had climbed by 100 to 480, there were more than 100 students at the local school (up by 25), forty houses had been sold in the past three years and values increased, new jobs had been created and the Council was importing houses from the mining town of Blackwater in central

Queensland. An eight-room motel had been built and expanded to 16 rooms! In the opinion of at least one councillor, CreditCare's public meeting in 1996 was the turning point for the town.

(b) Mungindi

Feature: In Mungindi, a local businessman bought the former bank chamber and its attached residence to ensure the credit union they hoped to attract would have a home. A credit union came to the town.

Situated about 600km south-west of Brisbane, adjacent to the Queensland/New South Wales border, Mungindi is a town which serves a vast agricultural region. It is familiar with the rigours of flood and drought. Watson records:

> *As news of their bank's decision [to close] spread, anger, fear and sadness swept over the town. Nobody knew what to do. The owner of the local drapery told her Progress Association colleagues she had heard something about a credit union coming to the rescue of Werris Creek. She rang the café there.*
>
> *As fate would have it,' the café owner was the 'mover and shaker' who had worked with Cathy Fortescue and the Peel Valley Credit Union in that community's successful campaign to restore banking services.*

Watson met the shop owner:

> *…a blonde-haired, pocket-sized 'Venus'... As the weeks went by I was to discover a lady whose character had been forged in adversity, a lady with a passion for her town and for rural Australia. As we waited in the Civic Centre for that night's public meeting, [she] began to grow despondent. "They mightn't come. They've probably had enough". "Don't worry", I said, "They will come". At least I hoped they would. This was a town which had just come through eighteen years without summer rain…You couldn't really blame them if they didn't turn up.*

But they came and they kept coming, until it was standing room only, with close to 300 packed into the hall. The Mayor chaired the meeting and then it was my turn. As I talked to them about CreditCare, Raifeissen and credit unions, I saw their expressions change from resignation, to polite interest, to keen interest, to 'I'm hearing this but it all sounds too good to be true', to 'Hey, if we really get behind this, we can make it happen'.

Question time was hectic and fun, and when we called for a vote on going to survey, every hand went up…. I think about 100 were completed before people left the hall that night.

As we chatted after the meeting, one lady commented that what we had just been through was like an evangelical revival meeting. I thought to myself, that's the power of the credit union message. Another, a Westpac employee, sounded me out on employment prospects, saying she would love to work for an organisation which practiced the philosophy I had spoken about.

The Moree Plains Shire pledged support and, in late August, Watson placed a formal proposal before the Board of New England Credit union… and waited. The Board initially rejected the proposal, not because it wasn't a good one but because of the workload the credit union was then facing, which included dealing with changing legislation, computer upgrades and the recent opening of a new branch (at Moree). Supporters of the idea in Mungindi were devastated but decided to approach another institution. Watson found credit unions were not interested because of the town's isolation. A lengthy delay ensued in which time spirits flagged. Watson recalls:

I had never shaken the feeling that New England was right for Mungindi. Nor had [supporters], so we got our heads together to plan a new approach. We were aware dozens of locals had made the 240km round trip to Moree, where New England had a branch, to open accounts. That in itself was sending a pretty clear message ... that the people of Mungindi wanted a credit union and they wanted that credit union to be New England.

[We] decided we should target the community's [State and Federal] politicians. They sent letters of support. A local businessman bought the former bank building to make sure it wasn't lost to some other use. He wanted to be able to assure New England they would have a good base for their operations.

Watson maintained contact with the New England Credit Union and when representatives visited the town, '[they] found themselves in a meeting with all the town's business owners and a good number of the major primary producers in the area.' The credit union then agreed to open a branch. Watson remembers the opening day:

As we walked along the footpath, our 'five foot pocket-sized Venus' seemed to be ten feet tall. She never stopped smiling, nor did anyone else we met that day. The procession of people joining up just kept on coming. There were no morning tea or lunch breaks for the staff that day! (or for that week, for that matter).

[We] were stopped constantly as we made our way back to our car. One store owner came rushing out. "I want to thank you for saving our town", he said, pumping my hand so vigorously I thought he would dislocate my shoulder. Unless you have been where we field officers have been, you can't begin to imagine the depth of feeling in towns which seem to have to fight every inch of the way for services urban Australians take for granted.

The local Council publicly presented the new branch with a $500,000 term deposit and 'Mungindi was back in business.' Asked in later years if the branch really had made a difference, Watson reflected:

The answer is 'yes' and in ways you couldn't even begin to imagine. To signal that things were different, they started to make changes. They started by repainting all the rubbish bins in the street heritage green and one by one, store-owners and home-owners got out their paint tins.

Impressed by their "can do" attitude, the Government of the day finally agreed to upgrade the road between Moree and Mungindi to an all-weather road. Over the border, the treacherous road to Talwood was also upgraded. Long overdue improvements were made to the local hospital. Store-owners who had wanted to retire, but couldn't because nobody wanted to come to Mungindi, found buyers and more young families moved into the town.

Mungindi really is back in business and [residents] will tell you they have drawn their inspiration from the principles and philosophy of the credit union movement. Mungindi is a credit union town.

Watson believes that there is now an entirely different spirit in the town springing from the decision to fight back and that residents now proudly proclaim Mungindi a 'co-operative' town.

2. Aggregated Services Model

(a) Herberton

Feature: In Herberton, the Queensland Government, which owned a building used by its Office of Rural Communities (ORC) to deliver Queensland Government Agent (Q GAP) services, agreed to allow a credit union to share those premises, rent free, for the delivery of a wider range of services.

Herberton began as a tin mining town with a dairying industry in the surrounds. When the tin ran out, the town promoted itself as an education centre and a number of boarding schools opened, which cater for children from outback properties and from the Asia/Pacific region.

In October 1996, Watson received a phone call from the Queensland ORC advising that Herberton was about to lose its last bank and requesting CreditCare's help. Only a few weeks earlier Watson had briefed the Minister for Local Government, in which ORC functioned, about the CreditCare project.

Watson rang the Council and arranged to meet with them the following Monday. He flew to Cairns and arrived in Herberton about an hour before the meeting, which gave him an opportunity to 'look over the town and eye off possible locations for a credit union'. At the top of the main street the field officer noticed a newly painted shop, which was closed up. This was where the QGAP program was run by the ORC, 'the very people responsible for my being in Herberton'. Watson took a mental note of its trading hours - Tuesdays, 10.00 to 2.00. He rang the Electricity Credit Union (ECU) to see if it would be interested in Herberton. It was, and Watson hastened to share this positive news with the council. He recalls:

> *The meeting with the Council went well…. We got on to the subject of accommodation. Did the Council have anything available? No. Could they identify a couple of possibilities? Maybe. "What about the QGAP office at the top of the road", I asked. "You'll have to ask the Government", they said.*
>
> *When it came to the matter of a public meeting… the mayor, would have none of it. [She] was livid at the bank's decision… and she wanted to go straight to survey. Councillors and council employees would door-knock every household, inform them on what we were trying to achieve and distribute the survey.*

Watson then embarked upon an extensive round of telephone calls:

> *The first thing I did when I got back to Brisbane was to ring my contact in the Minister's office. I reminded him that their parting words to us after we had briefed the Minister earlier in the year were … "if you ever feel there is anything the Minister can do to help, please give us a call".*
>
> *My request? Could he arrange for the ECU to share the QGAP premises and equipment in Herberton on a rent-free basis?*
>
> *A few days later I had a call from the head of the Office of Rural Communities to say they had been challenged by my request. He gave me the names of some*

senior public servants, including the manager for north Queensland of the Department of the Premier and Cabinet.

I worked pretty hard on these people, encouraging them to embrace our philosophy and the aims of CreditCare and at the end of November my north Queensland contact rang to tell me "the Premier is wrapped with the idea. If it works, we'll use it as a model around the State".

We had our premises – rent-free - and on Monday 2 December 1996, four days before the ANZ left town, ECU opened a branch in the premises of the Queensland Government Agent, with the right to share the use of the office equipment already available.

This aggregation of services meant the people of Herberton not only regained access to banking services, five days a week, they also had similar access to the Government services, which had previously only been available for four hours each week. It was a real win/win outcome.

Within weeks, the ORC was asking if CreditCare could nominate other sites in Queensland where the aggregation model might have application. Watson reflects, 'We lost no time in giving them a healthy list!'

Herberton developed into ECU's most successful country branch.

(b) Dirranbandi

Feature: Dirranbandi had been one of CreditCare's first 'failures', but field officers later went back and, after working with the Queensland Government to develop an aggregated services facility, helped to develop an RTC in the town.

In November 1995, Tom Watson made his first 'cold call' as a field officer, to Dirranbandi, in the south-west Queensland Shire of Balonne, a seven-hour drive from

Brisbane. He chose Dirranbandi because it was part of his father's old parish of St George, where he had been a minister in the Uniting Church.

Watson rang a local Councillor on a Sunday night from a motel room in St George. She agreed to arrange a meeting with community representatives and business leaders for the following Tuesday. Watson describes her as 'one of those country gems' and recalls:

> *After getting over the shock of listening to someone who was actually talking about helping them get back an essential service – rural Australia had become conditioned to hearing visitors explain why a service was being withdrawn – the group opened up about the difficulties the town faced by not having a decent banking service.*
>
> *The nearest bank was in St George – a two-hour round trip – and the local businesses had lost trade through people taking the opportunity to shop there after visiting the bank. This became a familiar story.*
>
> *Many of the businesses had reluctantly become quasi bankers, a role they didn't want, but a role they had to play to help retain their customers. I well remember the local newsagent… telling me he frequently had people cashing wages cheques for up to $1,000, spending $10 with him and "marching out the door with $990 from my till". [He] was an ex-banker, so he fully understood the opportunity costs created by his quasi banker role.*

Watson heard how the Tourist and Progress Association was keen to capture some of the tourist traffic from southern states passing through on their annual migration north, but felt held back by the town's lack of facilities and lack of confidence. The inaugural meeting, however, agreed to call a public meeting to gather community support.

> *The response was modest, but given the prevailing mood in the community, understandable. The town was 'tired' and the people deflated. Many, the*

majority as it turned out, were not interested in having their hopes raised, only to see them dashed yet again. And we struck strong opposition from the post office licensee, who saw what we were hoping to achieve as a threat to his Commonwealth Bank agency.

Reluctantly, the Dirranbandi file was closed … but not forgotten. Watson says that 'it would not be prudent to declare' some of the reasons for the poor response.

Hoping to 'plant a seed' for later, Watson asked that some representatives from Dirranbandi be invited to the opening of the Mungindi credit union in late 1996, so they could see first hand what could be done. The Mayor and CEO of the Balonne Shire attended, along with Dirranbandi's local Councillor.

By early 1997, Dirranbandi was becoming 'more prosperous', and, Watson believed, 'ready for a credit union':

I met with a group of community leaders ... and we discussed our strategy to muster community support. All agreed 'self-help' would have to play a role this time, particularly in getting people to take part in another survey. A local businessman, who owned the old Commonwealth Bank building in the main street – it had subsequently been home to Elders - offered to refurbish part of the building as a banking chamber and make it available for a modest rent.

We hadn't even started and we had premises!

New surveys went out, but to everyone's surprise, brought a disappointingly low response. When we checked, it seemed a lot more people claimed to have replied. For some reason their responses were not getting through. The Steering Committee organised a house-to-house, property-to-property canvass and slowly but surely the responses came in until, by early May, we had achieved a 34 per cent response.

Our Branch Cost Analysis showed a part-time branch operation would operate at a loss in its first year, but show a reasonable profit in Year 2. It was time to look for a credit union partner. This proved to be difficult and disappointment followed disappointment as the weeks slipped by.

By now, the ECU-QGAP 'joint venture' in Herberton was attracting considerable attention and that gave Watson the idea of sounding out the Office of Rural Communities (ORC) about appointing a credit union as their agent in Dirranbandi. The income from this appointment could enhance the credit union's viability and the government would have another outlet for its services. 'If we could arrange it, it would be a win/win/win outcome ... a win for the credit union, a win for the ORC and a win for the community.' The ORC gave the concept in principle support. Watson contacted ECU and found the credit union interested.

A proposal was duly submitted to ECU's Board. They too gave it in principle support and negotiations between the ORC and ECU got under way. By the end of August agreement had been reached and it was time to get down to some serious planning with our Steering Committee in Dirranbandi. The ECU Board ratified our proposal at their September 1997 Board Meeting.

October was a busy month as ECU's new home underwent refurbishment. What had been a run-down building became, as one of the locals put it, "a beacon in our main street".

In November 1997, ECU opened a full service branch in the town. Shortly after, the Dirranbandi branch was appointed as the QGAP agent:

…the first such commercial arrangement between a State Government and a financial institution. It was real red-letter day for Dirranbandi and for the people of the tiny township of Hebel, 65km to the south-west, who also planned to use the new facility. After nearly a decade, the town had its banking service back and it had government services for the first time.

The town's morale soared but the branch's economic performance was disappointing, affected by competition from a popular post office Commonwealth Bank operator. In 1999, CreditCare Field Officer Margaret Lester assisted the community in lodging an application to upgrade the facility to an RTC. The local Progress Association appointed ECU to manage the RTC on its behalf; offering financial services, commonwealth and state government services, small business support and an Internet café.

3. Partnerships and Member Services Centre Model

A great deal of CreditCare's work was done in very small communities lacking the population or resources to support a fully-fledged branch. Tom Watson and other field officers came to the view that the program required a new services' delivery model, which improved upon the traditional one, based on a financial institution. Watson recalls:

> *I felt it had to be a structure in which both the credit union and the community had a stake, both in terms of its establishment costs, its capital and running costs and its income. For want of a better description, a 'Clayton's franchise'. I floated the idea at one of our team meetings during 1997.*

Dubbed the 'Member Services Model', this dovetailed well with the aggregated services delivery model earlier employed by the Queensland Government Agency Program (Q GAP) and was reminiscent of some community bank principles.

(a) Blackbutt

Feature: In Blackbutt, the Nanango Shire Council entered a partnership with a credit union to offer financial and council services out of a Community Centre, willed to that community by a former resident.

In March 1998, Tom Watson was invited to Blackbutt to participate in a public meeting. The town was about to lose its last bank. The Commonwealth Bank and a building society also sent speakers. The hall was packed with 300 people, many listening at the windows, and they voted unanimously to engage CreditCare to assist them. Says Watson:

> *Whilst the town and surrounding district boasted a population of 2,400 and certainly had the numbers to support a branch, I felt the 'Clayton's franchise' model might be a good fit. The local Council, the Nanango Shire Council, had publicly indicated it wanted to be involved in any solution and there was a lot of general enthusiasm for our 'self-help' approach.*

Watson had noted in some of his 'nosing about' that the council conducted its Blackbutt operations from a community centre built from funds willed to the community by a former resident.

After a great response to the survey, the field officer designed a proposal based on the member service centre concept involving a credit union, the council and the community centre.

Watson approached the Electricity Credit Union, which was supportive, as the Tarong Power House was located in the shire. In April 1998, the Nanango Shire Council unanimously accepted the CreditCare proposal that they enter into a commercial arrangement with ECU:

> *… to operate a Member Services Centre from the Council's Blackbutt offices. Council agreed to do the office fit-out at their expense, which included a magnificent counter, built by a local cabinetmaker from the local timbers for which the Blackbutt area is famous. Council also employed a young lady to run the credit union operation.*

ECU supplied office equipment and provided a Brisbane based manager, on site, weekly in the establishment phase and regularly thereafter. A 'Local Area Committee' of community and council representatives was formed to provide a link between the community, the council and ECU.

In May, the Blackbutt Credit Union Member Service Centre was opened, described as ‘a joint community initiative of the Nanango Shire Council and the Electricity Credit Union’.

(b) Dayboro Member Services Centre

Feature: In Dayboro, the Pine Rivers Shire Council bought the former bank building, entered into a partnership with a credit union to deliver financial *and* council services, established a child day care centre in the backyard and converted the former residence into offices and community meeting rooms.

In March 1998, Tom Watson and an ECU representative addressed a meeting of the Pine Rivers Shire Council’s Enterprise and Establishment Committee. They received an excellent hearing and the Committee resolved to recommend council begin immediate negotiations with a view to entering into a commercial arrangement with ECU.

Watson urged that the facility be up and running by Dayboro Day, in May, an annual celebration which attracted thousands of visitors.

> *The Council accepted the challenge with gusto. The banking chamber was refurbished to accommodate separate counters for the Council and the credit union (it was repainted in ECU’s corporate colours), the lounge-dining room in the attached residence was converted into a community meeting room, a former bedroom became an office for use by [a councillor], the kitchen became a community kitchen and the backyard became home to a day care centre.*

The Dayboro Member Service Centre grew steadily. Opening hours were extended from six half-days per week, to full day trading five and a half days a week.

And all this on the basis of word of mouth, something on which [a councillor-supporter] was insistent. "I know these people and they don't like things being rammed down their neck", he told me. "If they like what they see, they'll support it."

He didn't get any argument from me. That's just the way we grew our credit unions in the "good old days".

(c) Kalbar Community Credit Union Member Services Centre

Feature: In Kalbar, the Boonah Shire Council made an under-utilised Community Centre available rent free to a volunteer community organisation which entered into an agreement with a credit union, the first such agreement in Australia.

In May 1997, the Shire CEO contacted CreditCare. Tom Watson contacted the local Progress Association for Regional Promotion and organised a public meeting in Kalbar, a community with strong Christian traditions. The meeting was waived, however, and the project went straight to survey, which produced a disappointing result. Understandably, credit unions, which were approached with proposals, were reticent. Early in 1998, Watson called another meeting, commencing with a prayer (St Francis of Assisi), as is customary at credit union meetings. This achieved a strong response, but, again, three credit unions declined proposals. The community then decided to run the centre voluntarily in association with ECU. The Boonah Shire Council supported the idea and offered space, paid for repainting and made credit available. Donations flooded in from the community, who attended an opening, described as 'evangelical', in large numbers.

(d) Progressive Community Crows Nest Limited

Feature: In Crows Nest (Queensland) the Council bought the former bank building, leased it to a community cooperative, which entered into a partnership with a building society to establish a community-owned financial facility.

In July 1998, Tom Watson was invited to address a meeting of Crows Nest Tourist and Progress Association. One bank had closed in 1997 and the remaining bank was progressively downgrading its service. Watson recalls:

> *Many members of the Tourist and Progress Association had lost significant turnover when the ANZ closed – the bank had transferred all their customers' accounts to Toowoomba – and the uncertainty over the last bank's future was starting to be felt. They had sought assurances from the NAB, to no avail and were determined "to have control of their own destiny".*
>
> *Our message of self-help struck a familiar chord and as a consequence of that first meeting, I was invited back to address a meeting of Council representatives and the business community. They resolved we should try to attract a credit union – a former local manager of the NAB led the urging – and that we call a public meeting. I sowed the seed with a credit union, which had a strong presence in the region.*
>
> *By now I had been impressed with the spirit of the people of this town. They were no strangers to self-help, as some fifty years earlier, when their hospital was threatened with closure, they had formed a cooperative to ensure its survival. Today it ranks as one of the most successful cooperative hospitals in Australia. I had also spoken with the Council about the role they could play in an eventual solution.*

A public meeting in September was a 'standing room only affair'. The mayor publicly pledged council support and there was an overwhelming vote to proceed to survey. The response was strong, indicating the majority would support an alternative financial services provider:

> *… but there was one set of answers which posed a challenge. In our surveys we ask people where they currently bank and, if in another town, is that their principal reason for visiting the other town. Sixty per cent of Crows Nest*

respondents said they banked in another town (Toowoomba 95 per cent) and said banking was not their primary reason for visiting Toowoomba.

Watson reported this fact but it only made the association more determined to secure the community's support. A credit union was approached, but declined. The Toowoomba based Heritage Building Society (HBS), however, was interested. Watson briefed the building society on the Member Services Centre model, suggesting a community partnership could work well in Crows Nest. The building society developed a community partnership approach: the 'Heritage Building Society – Crows Nest Partnership Branch'. This required the community to provide premises and a capital fund to cover refits and probable operating losses in the first year. HBS and the community were to share all other expenses and income (excluding ATM income) on an equal basis.

The result was *Progressive Community Crows Nest Limited*, a company limited by guarantee, which was the fund-raising vehicle and HBS partner. It was not dissimilar in some ways from the community bank model.

A management committee made up of equal community and HBS representation was responsible for operational details including trading hours, promotion, community feedback, performance review, cost analysis and budget reviews. Watson recalls early developments:

The Steering Committee met in early February and we discussed their response and how they might go about raising the capital contribution they were required to make. This is when the commitment of …was put to the test.

From the outset all had been determined that any solution developed had to offer a better service than they currently enjoyed from the [bank]. The Heritage proposal offered just that. Over the coming weeks they worked incredible hours, travelling and talking with legal experts about how they could structure their partnership with Heritage. Thanks to [CreditCare Operations Manager] Mark Genovese, CUSCAL's solicitors also contributed.

In March 1999, Genovese and Watson met first with the Tourist and Progress Association in Crows Nest. The Steering Committee formally reported on the Heritage Crows Nest Community Branch and public meeting followed:

> *– standing room only again The whole proposal was addressed in some detail … the opportunity to subscribe to the capital fund, the pooling of resources and skills by both the community and Heritage, the intent to reinvest the community's profit share back into the community, the added-value aspects of the venture – which would see visiting professionals offering their services through the community branch. And they heard the mayor confirm the council had purchased the former bank building on behalf of the community.*

The people of Crows Nest responded enthusiastically: the capital fund was over-subscribed and the town square was packed at the official opening on Mother's Day 1999.

APPENDIX 1

CreditCare Project Executive 1996-1997

Mark Genovese Manager – Operations

Anna Della Putta Operations Supervisor	Michelle Barden Shareene Wrigley Part Time	Valerieanne Byrnes Consulting Project Officer

Tom Watson Field Officer	Alan Pringle Field Officer	Cathy Fortescue Field Officer	Colette McInerney Field Officer	Marian Granich Field Officer	Margaret Lester Field Officer	Patti Yarwood Field Officer

Mark Genovese – *Operations Manager*: fifteen years experience within the credit union movement, including General Manager Esso Employees Credit Union, General Manager Comtax Credit Union and consultant to various credit unions.

Anna Della-Putta – *Operations Supervisor*: the 'glue' which held the team together. Anna had worked in the credit union movement for ten years and apart from two years with Reliance Credit Union, had worked with the national body in a wide range of administration and accounting roles.

Shereena Wrigley – *Administrative Assistant*: part-time assistant, a member of CUSCAL's Brisbane team with a reputation for organisational skills and team effectiveness.

Michelle Barden – *Research Analyst*: prior to joining the CreditCare project in 1995, Michelle had spent eight years in the credit union movement, including a period as Assistant General Manager of Esso Employees Credit Union. Michelle provided the team with key research data on targeted communities.

Valerieanne Byrnes – *Consultant Project Officer*: a part time credit union consultant, Valerieanne had held various senior positions in the financial services sector for sixteen years, including CUSCAL.

Cathy Fortescue – *Field Officer*: twenty years in the credit union movement including General Manager – 3M Employees Credit Union, Assistant General Manager – Prospect Credit Union, General Manager – Media Credit Union (Qld), Queensland Manager – Endeavour Credit Union, Director/Chairman – Blue Mountains Credit Union and Secretary –Australian Institute Credit Union Management (NSW).

Marion Granich – *Field Officer*: over ten years of professional experience in a broad range of community groups in the areas of management, administration, training, organisational development and project management. A lecturer in 'Aboriginal Community Management and Development' at Curtin University, Marion served the Aboriginal community of WA in various ways.

Colette McInerney – *Field Officer*: worked in the financial service industry for twenty years, including with the Premier and Leonburra (now Advantage) Credit Unions and was Secretary, South East Chapter of Credit Unions in Victoria. She played a key role in the development of credit unions in the South Gippsland region of Victoria.

Margaret Lester – *Field Officer*: winner of an Australian Marketing Institute Excellence Award for marketing studies, Margaret had seventeen years experience in the financial services industry, including seven in the credit union movement, all in business development roles. Prior to joining CreditCare, she was Business Development Manager with Piccol Community (now Advantage) Credit Union, in Canberra.

Patti Yarwood – *Field Officer*: began her credit union career with SDA Employees Credit Union, working with credit union pioneer Stan Arneil. With fifteen years' experience in credit unions she was Assistant Manager at Western City Credit Union prior to joining CreditCare

Alan Pringle – *Field Officer*: joined the Queensland Teachers' Credit union in 1977 as a Field Officer and in 1995, when he retired to join CreditCare, was Assistant General Manager – Member Services and a member of CUSCAL's National Advertising Committee and Edvest Consultative Group (serving the interests of retirees).

Tom Watson – *Field Officer*: twenty-five years experience in the credit union movement, including foundation Director and former Chairman of Credit Union Incitec, former Director – Australian Federation of Credit Union Leagues, foundation Chairman – Australian Institute of Credit Union Directors (Qld) and until 1995, Corporate Communications Manager – Incitec Ltd.