

# CHAPTER 15

## INDIGENOUS AUSTRALIANS

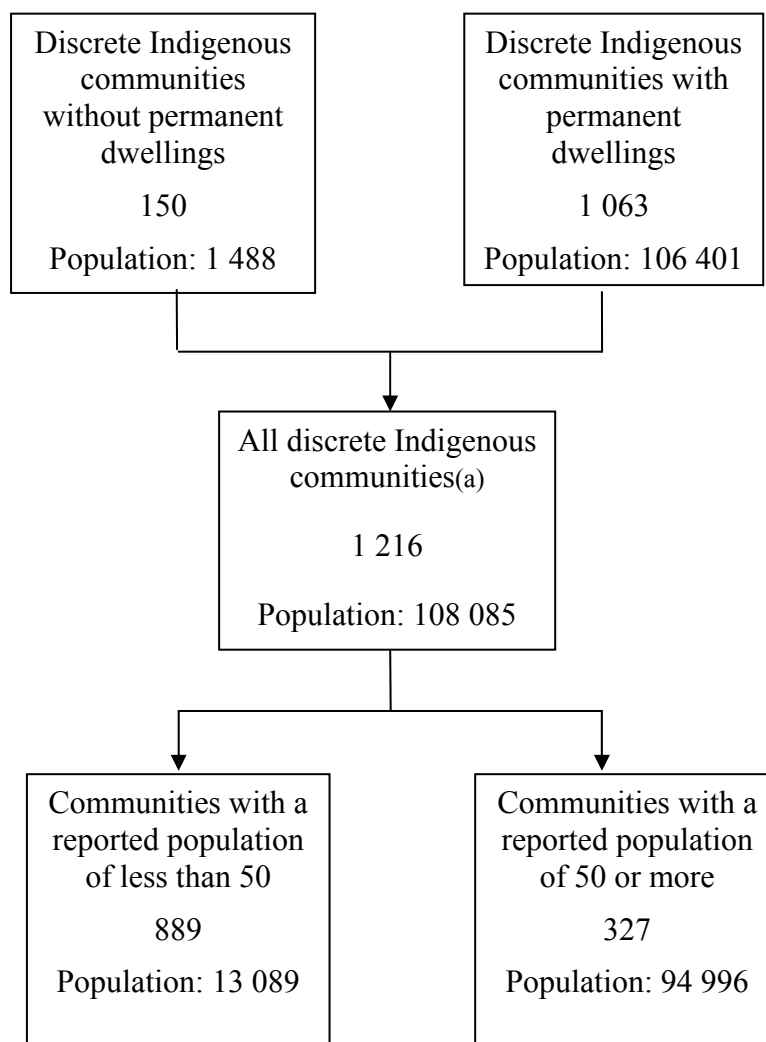
15.1 Indigenous people in regional and remote Australia are another group that experience particular difficulties gaining access to banking and financial services. Unlike older Australians, the problems derive mainly from the remoteness of the communities and the cultural gulf that exists between financial service providers and their Aboriginal customers.

### Indigenous communities in remote Australia

15.2 Indigenous people have a disproportionately high representation in regional and remote districts. Dr John Taylor informed the Committee that while Indigenous people comprise only 2.4 per cent of the population they make up more than 10 per cent of remote Australians.<sup>1</sup> In particular he cited the 1,200 or so discrete Indigenous communities of which over 1,000 were very small and very isolated communities.<sup>2</sup>

15.3 Statistics from the ABS presented in the following tables indicate the very significant number of Indigenous communities in remote and very remote areas of Australia. Slightly over half (52 per cent) of all discrete Indigenous communities are located in the Northern Territory with Western Australia accounting for the next highest proportion of 23 per cent.<sup>3</sup>

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- 1 At 30 June 2001, the estimated resident Indigenous population of Australia was 460,140, or 2.4% of the total estimated resident population of Australia. Australian Bureau of Statistics, *Population Distribution Aboriginal and Torres Strait Islander Australians, 2001*, p. 1. See also Australian Bureau of Statistics, *Australian Social Trends 2002*, Catalogue No. 4102.0, Commonwealth of Australia, Canberra, 2002, p. 55.
  - 2 The Aboriginal & Torres Strait Islander Commission, *New Solutions to Old Problems: Remote Indigenous Communications as Community Economic Development*, Canberra, September 2002 quotes figures of 108,000 people living in 1,216 Discrete Indigenous Communities of which 24 are located in major cities or inner regional areas. According to the ABS a total of 1,216 discrete Indigenous communities were enumerated in the 2001 CHINS. Of these, 1,030 (85%) were located in Very Remote regions of Australia, with only five communities being located in major cities. The total number of communities enumerated in the 2001 CHINS was 75 less than in the 1999 survey, predominantly as a result of communities that had a small population in 1999 being found to be unoccupied at the time of the 2001 CHINS enumeration and not expected to be reoccupied within the 12 months following the survey.
  - 3 Australian Bureau of Statistics, *Housing and Infrastructure in Aboriginal and Torres Strait Islander Communities*, Australia 2001, Catalogue No. 4710.0, Commonwealth of Australia, Canberra, 2002, p. 13. These figures change over time, a recent ABS publication recorded that 55% of remote Aboriginal and Torres Strait Islander communities were located in the Northern Territory, 24% in Western Australia and 12% in Queensland. Australian Bureau of Statistics, *Australian Social Trends 2002*, Catalogue No. 4102.0, Commonwealth of Australia, Canberra, 2002, p. 56.

**Table 15.1—Indigenous Discrete Communities<sup>4</sup>**

(a) Includes 'Whether community has permanent dwellings' not stated.

4 Australian Bureau of Statistics, *Housing and Infrastructure in Aboriginal and Torres Strait Islander Communities*, Australia 2001, Catalogue No. 4710.0, Commonwealth of Australia, Canberra, 2002, p. 12. These figures fluctuate over time. More recent figures record 1,139 remote Indigenous communities across Australia in 2001. Australian Bureau of Statistics, *Australian Social Trends 2002*, Catalogue No. 4102.0, Commonwealth of Australia, Canberra, 2002, p. 55.

**Table 15.2—Remoteness Area of Australia, all Communities and Reported Usual Population: 2001<sup>5</sup>**

	Population of Community						All communities	Reported usual population
	Less than 20	20-49	50-99	100-199	200 or more			
<b>Remoteness Area</b>								
Major Cities	-	-	1	3	1	5	645	
Inner Regional	-	1	7	5	6	19	2776	
Outer Regional	6	8	13	12	14	53	11838	
Remote	33	36	17	9	14	109	12146	
Very Remote	577	228	64	51	110	1030	80680	
<b>Australia</b>	<b>616</b>	<b>273</b>	<b>102</b>	<b>80</b>	<b>145</b>	<b>1216</b>	<b>108 085</b>	

15.4 This chapter considers the main barriers faced by Indigenous people in the more remote areas of Australia gaining access to banking and financial services. It examines a number of critical issues including:

- geographical isolation and the size of the communities which makes them unattractive prospects for financial institutions;
- obstacles to the effective use of modern technology such as
  - inadequate telecommunication infrastructure,
  - the costs of installing and maintaining equipment,
  - competency and confidence in using the technology;
- barriers to accessing existing services particularly
  - poor levels of education and literacy and financial skills,
  - cultural differences including language difficulties and lack of exposure to Australia's business and banking world; and

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5 Australian Bureau of Statistics, *Housing and Infrastructure in Aboriginal and Torres Strait Islander Communities*, Australia 2001, Catalogue No. 4710.0, Commonwealth of Australia, Canberra, 2002, p. 13.

- difficulties obtaining credit for home financing and home ownership and in attracting venture capital.

## Banking and financial services for Indigenous Australians

15.5 The 1,200 or so discrete Indigenous communities operate in very difficult circumstances usually far removed from commercial opportunities and viable labour markets. Because they face real diseconomies of isolation and are of small scale, the communities often lack some of the most basic services including banking and financial services.<sup>6</sup>

15.6 Effectively cut off from ready access to a range of services, many people living in remote Indigenous communities lack opportunities to improve their social and economic wellbeing. Professor Altman told the Committee:

The current reality is that Indigenous people are disproportionately represented in such regions, are generally relatively poor in cash income terms and are often welfare dependent. They almost invariably live in very small communities where there are often no consumer banking services and where individuals lack access to electronic and phone banking options that most Australians take for granted. Inevitably, absence of such basic services further marginalises people who are already among Australia's most economically vulnerable.<sup>7</sup>

15.7 Indeed, many studies support the findings that Indigenous Australians, especially among those living in rural and remote areas, are socioeconomically disadvantaged when compared to other Australians particularly in the principal areas of health, education and employment.<sup>8</sup> It should also be noted that there is no single Australian Aboriginal consumer, with over 230 different language groups in Australia.

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6 See also Aboriginal & Torres Strait Islander Commission, *New Solutions to Old Problems: Remote Indigenous Communications as Community Economic Development*, Canberra, September 2002, Introduction, p. 2.

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

8 See for example, Australian Bureau of Statistics, *Australian Social Trends 2002, Education-Participation in Education: Education of Aboriginal and Torres Strait Islander Peoples*. In outlining the general socioeconomic and geographic circumstances of Indigenous Australia, Mr Stephen Oxley, Assistant Secretary, Office of Aboriginal and Torres Strait Islander Affairs, cited the very high unemployment rate, the low median individual weekly income which is even lower in the rural and remote areas of Australia, the greater proportion of single parent indigenous families, the larger family size and poorer levels of English literacy and numeracy. He provided the following statistics to the Committee: in February 2000—the unemployment rate was 17.6 per cent for Indigenous people and 7.3 per cent for non-Indigenous people...in 2001, the median individual weekly income for Indigenous people was \$231 compared with a non-Indigenous median of \$387. *Committee Hansard*, 12 November 2002, p. 14. See also Human Rights and Equal Opportunity Commission, *Emerging Themes*, National Inquiry into Rural and Remote Education, March 2000, pp. 57–67 and ABS, *Australian Social Trends 2000*,

15.8 Indigenous people in remote Australia require special attention to assist them overcome the disadvantages of isolation and the hardships they experience because of the lack of basic services. Reconciliation Australia explained:

Indigenous people, because of comparably low levels of financial and technological literacy, as well as low levels of education and English proficiency, have an even greater reliance on face-to-face services. It is no surprise, then, that one of the major demands of Indigenous people in relation to banking and financial services is that services be provided on a personal face-to-face basis.<sup>9</sup>

15.9 Yet, it is these very people who find access to banking and financial services most difficult.

15.10 It should be noted, as emphasised by Dr Taylor, that many of the remote Indigenous communities have never had banking.<sup>10</sup> He stated that of 1,200 communities, there are 854 with a population of fewer than 500 which do not have a store or an administrative building where facilities such as EFTPOS and ATMs could be housed. Their combined population totals almost 17,000 persons. So the current situation reflects not so much a withdrawal of services but an endeavor to have services in place for the first time. He asserted:

We are in the business not of trying to reverse a declining trend but of actually creating a trend.<sup>11</sup>

15.11 This point was reinforced by Ms Siobhan McDonnell, Reconciliation Australia, who stressed:

We are not talking about the removal of banking services from these remote communities; we are talking about the fact that there are no banking and financial services.<sup>12</sup>

15.12 The experiences of Aboriginal communities bear out the observations of Dr Taylor. The Gulin Gulin & Weemol Community Council Aboriginal Corporation maintained that for many people in its community the level of banking service was nil. A few people are able to access telephone banking services and the shop provides EFTPOS but with no cash out facility. Where possible, the Town Clerk assists people obtain bank balances or recent transaction information over the phone. Similarly, the Cape York Community Financial Project Ltd, noted that the changes taking place in

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Population—Population Characteristics: Socio-economic disadvantage across urban, rural and remote areas,  
<http://libas1.parl.net/abs/abs@.nsf/5e3ac7411e37881aca2568b0007afd16/b454091b9b>  
(3 January 2003).

9 *Submission* 120, p. 8.

10 See also Siobhan Mc Donnell, *Committee Hansard*, 1 November 2002, p. 93.

11 *Committee Hansard*, 14 November 2002, pp. 86 and 87.

12 *Committee Hansard*, 14 November 2002, p. 93.

the banking industry mean that 'Indigenous people's access to banking services has further diminished, and in many remote areas is non-existent'.<sup>13</sup>

15.13 Geographic isolation combined with the small size of the communities means higher costs and lower returns for financial institutions which discourages them from providing such a service. The Traditional Credit Union (TCU) outlined some of the expense incurred in reaching remote communities. Ms Bev McMillan, Assistant Manager of the TCU, told the Committee that equipment alone, with a connection to either satellite or ISDN, costs in the vicinity of \$60,000 for every branch.<sup>14</sup> She explained further:

Everything about the TCU is expensive. Our wage costs are high...Travel cost is a major item. We have to have permanent remote training staff to travel constantly to those communities to keep up the training. We probably spend \$100,000 a year on travelling and accommodation for remote and visiting staff. Because of the distance, our security risk is high and our insurance is high.<sup>15</sup>

15.14 The lack of a banking presence in Indigenous communities means that people from some areas must travel significant distances to access face-to-face banking. The 2001 Community Housing and Infrastructure Needs Survey showed there were only 58 (5%) discrete Indigenous communities reported to be located in towns that provided major services. The usual means of travel to the nearest town with major services for the remaining communities was by road (89%), with transportation by air or sea the most common means of travel for 11%. Of the 1,025 communities where the usual means of travel was by road, 37% estimated the time taken to travel to the nearest town with major services to be less than one hour, almost half (49%) reported a time between one and four hours, while 13% of these communities indicated it took five hours or more.<sup>16</sup>

15.15 Because of the difficulties in accessing over-the-counter services, a heavy reliance is then placed on alternative ways, such as electronic banking, to deliver banking services to Indigenous communities. But again distance and small markets present major hurdles in providing electronic banking services to remote and very remote areas.

## **Telecommunications infrastructure**

15.16 The Committee has already indicated that there is a pressing need for improvement in the delivery of telecommunications services to some areas of

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13 *Submission 8*, pp. 1–2; *Submission 47*, p. 5.

14 *Committee Hansard*, 21 July 2003, p. 528.

15 *Committee Hansard*, 21 July 2003, p. 529.

16 Australian Bureau of Statistics, *Housing and Infrastructure in Aboriginal and Torres Strait Islander Communities*, Australia 2001, Catalogue No. 4710.0, Commonwealth of Australia, Canberra, 2002, p. 24.

regional, rural and remote Australia. Chapter 12 dealt with the problems people in these areas have in obtaining physical access to the telecommunication network including the inadequacy of the existing infrastructure, delays with connection and repairs, unreliable service and slow speeds. These problems, however, are magnified in the more remote areas of Australia.<sup>17</sup>

15.17 The Regional Telecommunications Inquiry found that remote Indigenous communities remain the most disadvantaged telecommunications users in Australia and face unique difficulties in accessing adequate services. It maintained that these difficulties are closely linked with broader social disadvantages faced by these communities and that fully meeting their needs presents a long-term challenge requiring further funding in the future'.<sup>18</sup> ATSIIC also maintained that ongoing long term communications funding is needed.<sup>19</sup>

15.18 The Committee is also mindful of the magnitude of the problems in some Aboriginal communities where a breakdown in, or absence of, telecommunication links can effectively cut people off from their banking service.

15.19 Indigenous Australians in remote and very remote areas are likely to rely on the most elementary provision of banking services in the form of EFTPOS and ATMs. A rudimentary survey of major Indigenous communities in the Northern Territory highlighted their dependence on EFTPOS to deliver banking services. Comments from staff working with the communities noted that communications are totally dependent on optic fibre and if damaged, banking services are shut down (see appendix 5).

15.20 The same survey showed that very few remote communities have access to an ATM. Mr David Shoobridge, Town Clerk, Nauiyu Nambiyu Community Government Council, observed that banks are not anxious to provide ATMs to isolated areas given the problems of security of the machine and its contents and the high costs of

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17 See evidence *Committee Hansard*, 21 July 2003, p. 518. See in particular the evidence of Mrs Carol Perry, Perrys on the Daly River Pty Ltd, who has a satellite dish but not the power to run it. *Committee Hansard*, 21 July 2003, pp. 561–2.

18 Department of Communications, Information Technology and the Arts, *Connecting Regional Australia: the report of the Regional Telecommunications Inquiry*, Canberra, November 2002, p. 9. It stated: 'the Government has put in place a strategic and accepted framework to resolve the difficulties faced by remote Indigenous communities in accessing appropriate and affordable telecommunications services. The direction of the Telecommunications Action Plan for Remote Indigenous Community is supported as providing a holistic and well-targeted way forward. Significant funds are currently being applied to meet the needs of remote Indigenous communities, but fully meeting the needs of these communities presents a long-term challenge, and further funding will be required in the future.'

19 Aboriginal & Torres Strait Islander Commission, *New Solutions to Old Problems: Remote Indigenous Communications as Community Economic Development*, Canberra, September 2002, executive summary, p. d [4]. See also A. E. Daly, *Implications of development in telecommunications for Indigenous people in remote and rural Australia*, Centre for Aboriginal Economic Policy, Research, Paper 291/2001, the Australian National University, 2001.

servicing the equipment. Some communities do not even have an ATM or EFTPOS service and rely on the local store to cash cheques.

15.21 Ms Bev McMillan from the TCU told the Committee that phone banking would ‘form a very high part of our community education, because we can teach people to budget over the telephone so they have instant manipulation of their funds’.<sup>20</sup> But some communities are without public telephones. For example, statistics from the Australian Bureau of Statistics show that in 2001, of the 327 discrete Indigenous communities with a usual population of 50 or more, 93 (28%) reported that there were no public telephones in the community, a higher proportion than that reported in a 1999 survey (24%). Of the 230 communities that did have access to public telephones in 2001, the majority (62%) had access to one telephone while only 4% had four or more public telephones in the community.<sup>21</sup>

15.22 Of the larger communities, 80% had at least one public telephone within the community. A recent report found, however, that:

...these telephones can sometimes be located in community offices, or other places with restricted opening hours. Further, where telephones are available, these are not always in working order. In 16% of larger communities all of the public telephones were not working, while in a further 6% of larger communities some of the public telephones were not working.<sup>22</sup>

15.23 ATSIC expressed its deep concern at the lack of access to a public telephone and noted that discrete Indigenous communities consistently put provision of a working telephone as their highest priority.<sup>23</sup>

15.24 On 25 June 2003, the Government accepted the recommendations made by the Regional Telecommunications Inquiry to improve telecommunications services to

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20 *Committee Hansard*, 21 July 2003, p. 533.

21 Australian Bureau of Statistics, *Housing and Infrastructure in Aboriginal and Torres Strait Islander Communities*, Australia 2001, Catalogue No. 4710.0, Commonwealth of Australia, Canberra, 2002, p. 26. The survey also showed that no organised electricity supply was reported for 7% of communities in the 2001 Community Housing and Infrastructure Needs Survey. The 80 communities this represents all had a reported usual population of less than 100 persons with the majority (85%) reporting a usual population of 20 or less. A total of 681 (0.6%) people were reported to be living in communities without an organised source of electricity. A further 68 (6%) communities with permanent dwellings reported having an electricity supply, but with one or more permanent dwellings which were not connected. See pp. 19–20.

22 Australian Bureau of Statistics, *Australian Social Trends*, Catalogue No. 4102.0, Canberra, 2003, p. 59.

23 Aboriginal & Torres Strait Islander Commission, *New Solutions to Old Problems: Remote Indigenous Communications as Community Economic Development*, Canberra, September 2002, p.d [ 4] and Professor Altman, *Committee Hansard*, 14 November 2002, p. 86.



Indigenous communities. (See appendix 7). It undertook, inter alia, to work with Telstra to ensure that Telstra:

- fulfils its obligation to provide pay phones under the universal service obligation (USO),<sup>24</sup> and
- improves delivery of USO services to remote Indigenous communities, including the deployment of specialised call centre staff and Indigenous liaison officers.<sup>25</sup>

15.25 Solving this problem of access to telephone services is a priority even before consideration is given to ensuring that other services such as internet access is available.<sup>26</sup> In turning to the internet, Mr Oxley noted that the 2001 census showed that for any age group non-Indigenous people are between two and three times as likely as Indigenous people to use a computer at home. The typically lower income levels of Indigenous people are a significant barrier to investment in purchasing and installing computer equipment. Note that the costs associated with using the Internet were identified as a major obstacle to the use of the Internet (see table 12.5.)

### ***Committee's view—telecommunications***

15.26 The Committee understands that providing telecommunications services comparable to those delivered in the cities to people in remote districts of Australia is not a viable economic proposition. It endorses the findings of the Regional Telecommunications Inquiry that continuing Government support and action will be required to resolve fully the inadequacies in the provision of telecommunications services to remote Indigenous communities.<sup>27</sup> It fully supports the Government's undertaking to ensure that basic telecommunications infrastructure is available to remote communities. It notes here, however, that gaining access to basic telecommunication services in remote parts of Australia presents an enormous problem for remote Indigenous communities and will require long-term funding. It further accepts the need for a coordinated and targeted approach to providing ongoing and affordable access to telecommunication services for those living in the remote areas of Australia.

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24 Through \$8.3 million Telecommunications Action Plan for Remote Indigenous Communities (TAPRIC) program, the Government will offer community phones to remote indigenous communities currently without access to telecommunications services.

25 The Government's response to the recommendations of the Regional Telecommunications Inquiry, [http://www.dcita.gov.au/Printer\\_Friendly/0,,0\\_1-2\\_3-4\\_115483-LIVE\\_1,00html](http://www.dcita.gov.au/Printer_Friendly/0,,0_1-2_3-4_115483-LIVE_1,00html) (1 July 2003) See also appendix 7.

26 Joseph Elu, *Committee Hansard*, 14 November 2002, p. 101. Mr Elu told the Committee that 'computer outlets on those islands [Torres Strait Islands] or in those communities are basically non-existent.'

27 Department of Communications, Information Technology and the Arts, *Connecting regional Australia*; the report of the Regional Telecommunications Inquiry, Canberra, November 2002, p. 3.

15.27 Even with improvements to the delivery of telecommunications services, technology will not overcome many of the problems associated with accessing banking services by Indigenous people in remote Australia. Leaving aside the physical barriers to using electronic banking such as inadequate infrastructure and costs of equipment and connecting to the network, the following section looks at some of the practical problems associated with using electronic banking in Aboriginal communities. It discusses impediments such as the level of financial literacy, competency and confidence in using new technology.

### **Competency and confidence in using new technology**

15.28 Electronic banking offers many advantages for people living in remote communities. The Nauiyu Nambiyu Community Government Council noted the commercial benefits that have allowed the Council to carry out banking transactions 'without undue problem'. It stated, 'information is readily available and generally banking practices are such that isolation is no longer a deterrent to successful banking'. Although organisations such as local councils are effectively adopting on-line banking, individual residents are finding difficulties with personal banking.

15.29 For Indigenous Australians the obstacles to using banking services are many and varied and, while some in themselves appear to be small, taken together they present a formidable barrier. The Nauiyu Nambiyu Community Government Council cited some of the difficulties faced by Indigenous people in being able to access banking services:

...most people in this community have some form of either a debit or credit card. Pensions and other payments are paid directly to these accounts. However often these cards are lost and then problems of cancellation and replacement of PIN numbers become an issue. Many banks require the card holder to attend a bank in person to claim their card and PIN. While this is seen as a necessary prerequisite for security purposes, it can create problems, especially when many people do not have access to private transport.<sup>28</sup>

15.30 The Gulin Gulin & Weemol Community Council Aboriginal Corporation identified other problems. It noted that some Indigenous people do not appreciate the significance of passwords and security information while the provisions of the Privacy Act make telephone access difficult because a lot of people do not know their date of birth. Mr Richard Barcham, Town Clerk, stated:

I have considered trying to set people up with Internet banking accounts that would allow them to pay bills, transfer funds, and check balances. This may become possible over time using the two-way set capability, but the initial hurdle of identification and passwords will have to be overcome somehow. For most people this means a trip into Katherine to visit a branch and be

identified. Apart from the \$1.35/lt fuel cost, few community members own suitable vehicles.<sup>29</sup>

15.31 Ms Siobhan McDonnell listed the main problems encountered by Indigenous people in using electronic banking which include:

- understanding how to obtain a key card;
- understanding how to replace lost or damaged key cards;
- understanding how to obtain a new pin number;
- securing key cards and key cards breaking;
- remembering PIN numbers;
- using ATMs;
- accessing and understanding bank balances; and
- understanding bank fees and how to minimise them.<sup>30</sup>

15.32 While these problems in part may stem from a lack of familiarity with the technology and a poor appreciation of the processes involved in using an ATM or EFTPOS, they originate from a deeper cause—lack of financial literacy and cultural differences.

### **Financial literacy**

15.33 Professor Altman told the Committee that a disproportionate number of Indigenous adults have never been to school resulting in problems with literacy and numeracy which then translates into difficulties with financial literacy and numeracy.

15.34 Without face-to-face banking those who have difficulty with literacy face problems in effectively making use of the facilities. The Department of Community and Family Services cited the example of people from some of the outlying Aboriginal camps around Alice Springs where the numeracy rate can be ‘so low that a person might not know even the denomination of a note’.<sup>31</sup>

15.35 This lack of understanding and awareness of how the banking system works puts Indigenous people at risk of engaging in unwise banking activity or entering arrangements that are highly unsuitable for their particular circumstances. One of the problems of major concern to the Committee was the ability of card holders to overdraw their account and thereby unwittingly incur an additional and sometimes heavy fee.

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29 *Submission 8*, p. 2.

30 S. McDonnell, *Chasing the money story*, An evaluation of the Tangentyere Bank Pilot Project and its relevance to Indigenous communities in central Australia, Centre for Aboriginal Economic Policy Research, The Australian National University, Canberra, 2003, p. 3.

31 Barry Smith, *Committee Hansard*, 12 November 2002, p. 36.

15.36 As noted earlier, the survey by the Northern Territory Government showed that a number of Indigenous communities rely solely on EFTPOS to deliver banking services to their community (see paras 15.19–20). This survey recorded, however, that customers are unable to check account balances and cheaply send or transfer funds. Evidence indicated that customers unable to obtain their account balance are placed in a situation where they may withdraw amounts exceeding the balances available in their account and incur substantial fees.

15.37 Mr David Shoobridge from the Daly River Community said that people not sure of their account balances would swipe their cards to make a withdrawal and, having the transaction rejected because of insufficient funds, would keep swiping and reducing the sum to be withdrawn until the transaction was approved. He said that sometimes people could make 10 to 15 attempts with each costing them a transaction fee of \$1.25 before a withdrawal was approved.<sup>32</sup>

15.38 Aware of this practice of people swiping their keycard to check their account balance, the Tangentyere Council decided against providing an EFTPOS service to the community. Mr Patrick McDonald explained:

The issue that stopped us was that people really need to be able to see their account balances, and there was no EFTPOS technology available which would have shown account balances. We were worried that people would come in with a keycard, swipe it, ask for \$100 and there would not be sufficient funds, so they would swipe it again, ask for \$60 and there would not be sufficient funds, so they would ask for \$20—until you found out that there was actually no money available. We were worried that, if people could not see their account balance, they would keep trying and that time would be lost in that way.<sup>33</sup>

15.39 The Town Clerk at the remote community of Palumpa also raised concerns that members of his community were overdrawing on their accounts and paying for it. He noted that ‘with limited access and even more limited internet access residents are hard pressed to know they are overdrawn’.<sup>34</sup>

15.40 Taking a broader look at the problem of overdrawn accounts, Ms McDonnell explained:

...some of the types of accounts that people are signed on to with a card have what is almost an overdraft facility built into them so that you can go beyond the amount of money that goes into the card. Out on a remote community if there is only EFTPOS a lot of people will just use that card

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32 *Committee Hansard*, 21 July 2003, p. 553.

33 *Committee Hansard*, 22 July 2003, p. 589. See also *Committee Hansard*, 22 July 2003, p. 581, where Mr McDonald stated that people depending on their welfare payment ‘might be expecting it on a certain day and might swipe regularly, waiting for it to come in. They might swipe their cards 10 times in a morning, waiting for it to come in’.

34 *Committee Hansard*, 21 July 2003, p. 563.

until it runs out of money, so they will be using the overdraft facility possibly without even knowing that it is there. And the fees that are charged on top of that are phenomenal—it is a \$35 or \$45 fee. If you have a welfare payment of \$200 or \$240 and you have \$45 taken out of that, instantly you can see the kinds of problems that is creating. Some of the banks in Central Australia have acknowledged that problem and are beginning to look at it, but it is a considerable problem.<sup>35</sup>

15.41 Although largely anecdotal, evidence presented to this Committee suggested that it was not uncommon for people on low fixed incomes to incur high banking fees for overdrawing on their account. In some cases, bank practices encouraged imprudent behaviour by their customers. As noted earlier, EFTPOS is the only service available to many remote Indigenous communities but this service does not provide an account balance. This exposes people to the risk of overdrawing on their account and incurring a fee.

### Safety net banking account

15.42 The banking industry supports the concept of a basic bank account and for a number of years the major banks have offered concessional accounts for disadvantaged and/or elderly people.<sup>36</sup>

15.43 The current Code of Banking Practice states that:

If **you** tell **us** that you are a low income earner or a disadvantaged person (regardless of whether **you** are an existing or prospective customer but not if you are a **small business**), we will provide **you** with details of accounts which may be suitable to **your** needs. **We** will also do this if you ask for this information or if, in the course of dealing personally with **you**, **we** become aware that **you** are in receipt of Centrelink or like benefits.<sup>37</sup>

The Committee believes that to ensure that customers are aware of this product, the banks undertake to promote and more actively disseminate information to their customers about this account.

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35 *Committee Hansard*, 14 November 2002, p. 94. Professor Altman echoed the same concern: ‘Often, when Indigenous people do the shopping and swipe their card for EFTPOS, they are told they have not got the money to pay for what is there. This is where you end up with people either booking up or else returning things to the shelf until they are in a position to actually afford to pay for things with the credit that is on their card. One should not get too emotive about this—sometimes it is embarrassing and sometimes people just see it as their modus operandi—but it seems to me that we must have better ways to assist people to access their cash incomes than having them go through those sorts of processes’. *Committee Hansard*, 14 November 2002, p. 85.

36 Australian Bankers’ Association, Chairman, Media Release, 23 May 2001.

37 Australian Bankers’ Association, *Code of Banking Practice*, August 2002, para 14, p. 8.

15.44 In March 2001, the ABA announced that it had developed minimum standards for a safety net basic bank account.<sup>38</sup> It applied to the ACCC for authorisation that would allow 10 banks to collectively agree to offer a basic bank account with agreed minimum features.<sup>39</sup> On 16 December 2002, however, the ACCC announced its intention to deny the authorisation because of its concern about adverse effects on competition. It stated that the majority of basic banking products available already provided a higher number of fee-free transactions and satisfied several of the other features proposed under the basic bank account initiative'. The ACCC noted that:

Consumer groups pointed to the relatively small number of fee-free transactions provided under the proposal, the fact that balance inquiries will be counted as part of the six-fee-free transactions and the level of dishonour and/or account overdrawn fees which would be applied to basic banking products.<sup>40</sup>

Indeed, Ms Louise Petschler from the Australian Consumers Association described the ABA's proposed safety net account as a 'bare bones standard that offers less than the average transaction levels the ABA itself uses (10–20 a month)'.<sup>41</sup>

Following the release of the ACCC's draft decision, the ABA withdrew its application.

### ***Committee's view***

15.45 The Committee was disturbed to learn of practices that expose Indigenous Australians on low fixed incomes to unwarranted and unnecessary fees. It believes that financial institutions have an obligation to ensure that the interests of such

38 Australian Bankers' Association, News Conference Speech, 28 March 2001. The benchmarks were—no account keeping fees; six free non-deposit transactions per month including three over the counter withdrawals; unlimited free deposits; and no requirement for a minimum balance.

39 Australian Bankers' Association, Media Release 'ACCC's Rejection of Basic Bank Account Disadvantages Bank Customers', 16 December 2001. The ABA asserted that the basic bank account standards were designed 'to create a floor or safety net of minimum standards to which all of the ten applicant banks would adhere'. The banks were to offer minimum features to holders of a health card, senior's card and/or pensioner card and included:

- No account keeping fees;
- No minimum monthly or opening balances;
- An unlimited number of fee-free deposits; and
- Six fee-free non deposit transaction (which includes up to three over-the-counter withdrawals).

40 Australian Competition and Consumer Commission, Press Release, 'ACCC Rejects Basic Bank Account Agreement Proposal: Does Not Go Far Enough', 16 December 2002.

41 Louise Petschler, 'Banks to basics', *Consuming Interest*, Winter 2001, p. 10. Louise Petschler stated further that the account 'offered no major improvement on existing accounts, no promises on fee levels once consumers are over their six transactions, and no commitment to fee restraint generally'.

customers are not put at risk. Clearly, financial services providers need to be aware of their customers needs and to be vigilant in protecting their interests. This requirement applies not only to the providers but also the community itself, to the ABA and to the regulators ACCC and ASIC.

15.46 The ABA advised the Committee that it would not be re-applying to the ACCC for authorisation for an industry standard basic bank account ‘as there are already a number of competing products in the market that may be suitable for consumers.’<sup>42</sup>

15.47 The Committee notes with disappointment the failure of the ABA to succeed with its proposal before the ACCC. The Committee would welcome the banking industry formulating and submitting a new proposal taking account of the concerns of ACCC and the views of consumer groups.

### **Recommendation 20**

**The Committee recommends that the banking industry formulate a safety net basic bank account that addresses the concerns of the ACCC and consumer groups and again seeks authorisation from the ACCC. In particular, the new proposal, while retaining some features of the earlier proposal such as no account keeping fees, would improve on it by offering more non-deposit, fee-free transactions and also include safeguards that would:**

- **eliminate fees for bank balance inquiries; and**
- **not provide an overdraft facility.**

**The Committee recommends further (and assuming that the ACCC’s authorisation is forthcoming) that the banks notify their customers of the availability of the safety net account in literature sent to customers and by displaying the relevant information in a prominent position in every bank outlet.**

The Committee acknowledges that many ADIs already make available a basic account for concession card holders. It welcomes the introduction of such measures but believes that they could be improved.

### **Recommendation 21**

**The Committee acknowledges that some ADIs already make available a basic bank account to better suit the needs of low income earners. It recommends, however, that they extend the benefits offered by the account. The Committee recommends that individual ADIs make available to their customers, who are concessional card holders and low income earners, a safety net basic bank account which includes measures outlined in the previous recommendation. Further, in line with the previous recommendation, ADIs notify their customers that such an account is available.**

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42 *Supplementary Submission 117*, p. 21.

## Recommendation 22

**The Committee recommends that the banking industry urgently investigate expanding the services offered through EFTPOS to enable a customer to access information on their account balance during a transaction.**

### Book up

15.48 Indigenous Australians, isolated from banking and financial services and with lower levels of financial literacy, are susceptible to exploitation. Practices associated with book-up, a form of store credit, were identified as causing particular hardships for consumers.<sup>43</sup> The Northern Territory Government stated:

Indigenous people can easily become a captive market for retail providers such as pubs, taxi drivers, stores, hawkers, etc. There is evidence, for example, of exploitative practices involving merchants acquiring plastic cards and PIN numbers.<sup>44</sup>

15.49 Professor Altman asserted that their lack of financial literacy probably leaves Indigenous people ‘vulnerable to being exploited—for instance, with unreasonable service fees or being required to spend a certain amount at a store when they make a transaction through EFTPOS’.<sup>45</sup>

15.50 Ms McMillan highlighted the difficulties for indigenous people to balance a budget if they are ‘booked-up’. She explained:

They are usually allowed to book up to the maximum of their income, so as soon as their funds come in they are gone straightaway. Another problem with the book-up system is that people hold their EFTPOS cards and take their money. Of course, they are not allowed to take all their money. If somebody has a debt with you. I believe that the law says you can take 10 per cent of their income to repay that debt, but they take 100 per cent. But worse than that, they try six times a day, every day of the week, to get the people’s money out of their accounts, so they are incurring fee charges that you would not believe.<sup>46</sup>

15.51 Mr Shacklady from the Tangentyere Council described much the same situation where the amount due under book up is usually more than the next

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43 Gordon Renouf, ‘*Book Up*’ *Some Consumer Problems*, A Report prepared for the Australian Securities and Investments Commission, March 2002, p. 49. ASIC described book up as a term used for store credit which is common in regional and remote Australia. ‘Book up’ (or ‘book down’) involves a trader offering small amounts of short-term credit to individuals. Typical traders are stores, taxi drivers, hawkers and regional airlines’. ASIC, ‘*Book up*’ *Some Consumer Problems*, A report prepared for the Australian Securities and Investments Commission by Gordon Renouf, March 2002, p. 1.

44 *Submission* 128, p. 5.

45 *Committee Hansard*, 14 November 2002, p. 85.

46 *Committee Hansard*, 21 July 2003, p. 531.



Centrelink payment. He stated, 'if it is \$500 or \$600 and the cheque comes in, they never get to see the money because they say "well, he's chasing his tail with the book up system"' .<sup>47</sup>

15.52 Without literacy and numeracy skills and lacking exposure to and comprehension of the business world and how it operates, Indigenous Australians are poorly placed to take care of their financial affairs and defend their rights. Ms McDonnell noted that some people who have been treated inappropriately are not making complaints partly because they are unaware of their consumer rights. She informed the Committee:

I have just done a series of surveys in Todd Street Mall in Alice Springs asking people about the kind of fees that are charged on their accounts, only to have to sit back and explain to people what fees are. A level of financial literacy just does not exist.<sup>48</sup>

15.53 Mr Neil Westbury, former General Manager of Reconciliation Australia and visiting fellow at the Australian National University, told the Committee that he was aware of an instance where ACCC had tried to bring a case against a proprietor in Central Australia but had difficulty in being able to compile evidence and secure witnesses who were prepared to appear. He told the Committee:

One of the difficulties, because in many cases these are closed communities and people living there are relying on one shop and one store owner or station manager, is having people who are prepared to go out on a limb and give evidence that is sometimes really not in their best interests nor in the best interests of other community members in these areas.<sup>49</sup>

15.54 He also noted that there are communities where the store keeper is 'as honest as the day is long' and who provides 'a critically important service to people'.<sup>50</sup> Mr McDonald also acknowledged that book up may be the only financial service available to people to manage their finances throughout a fortnight, even if it leads to exploitation. He stated that 'If those practices are thwarted, people are left without any financial services'.

15.55 Education and familiarity with the financial system will help Indigenous Australians make informed choices. Nonetheless, safeguards should be in place to ensure that they are not subject to unscrupulous conduct. Indeed, such measures should go further to guarantee that their interests are promoted.

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47 *Committee Hansard*, 22 July 2003, p. 586. Mr Acfield drew from his experiences in Western Australia 'I worked for another remote community organisation in Western Australia and there is a lot of evidence of Aboriginal people being ripped off by storekeepers and so on in the transaction process'. *Committee Hansard*, 22 July 2003, p. 586.

48 *Committee Hansard*, 14 November 2002, p. 99.

49 *Committee Hansard*, 21 July 2003, p. 548.

50 *Committee Hansard*, 21 July 2003, p. 548.

15.56 Mr Neil Westbury suggested as a long-term solution ‘vigilance on the part of regulators’ and successfully establishing a test case which would send a clear message to wrongdoers.<sup>51</sup> He mentioned the attempt by the ACCC to curb improper conduct associated with book up practices by promoting ethical behaviour through its store charter arrangements. Mr Westbury was of the view that it had not been successful because the people who signed up to the code were ‘ethical anyway’.<sup>52</sup>

### **Recommendation 23**

**The Committee recommends that ASIC investigate practices associated with book up in an effort to identify and curb unscrupulous conduct. The Committee is aware that some retailers who use book up are providing a much-needed service to some communities. It has no wish to see regulation prevent them from providing this service. It does, however, want to see the abuse of the system stopped.**

15.57 Some financial institutions are taking their duty of care seriously. In regard to book up, the TCU told the Committee:

One of the beauties of TCU is that because we are small and really care for our members, when we notice that accounts are getting used by certain bodies outside the community, we cancel the cards and advise the people that we have cancelled their cards, because it is misuse under our conditions.<sup>53</sup>

15.58 In this regard the Committee acknowledges the work of the TCU and urges financial institutions to review their approach to providing services to Indigenous Australians with a view to helping their customers make informed choices and minimise their exposure to risk.

### **Education and training**

15.59 For self-service banking to work to the advantage of Indigenous Australians, they need to be equipped with the skills and understanding to make effective use of new technology. The report has highlighted the failings in the provision of education and training in financial services for all Australians, especially those living in regional, rural and remote Australia. These shortcomings are magnified for Indigenous people who face particular hardships and, as noted earlier, are vulnerable to exploitation. Again education and training must go beyond merely equipping customers to complete a basic banking transaction.

15.60 A number of witnesses made the point that people with low literacy and numeracy rates and unfamiliar with new technology need to be allowed to acquire the

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51 *Committee Hansard*, 21 July 2003, p. 549.

52 *Committee Hansard*, 21 July 2003, p. 549.

53 *Committee Hansard*, 21 July 2003, p. 532.

skills and confidence gradually through individual assistance. The Nauiyu Nambiyu Community Government Council suggested that some form of public education campaign be considered that would encourage people to consider future personal needs. This could include work on personal budgeting, use of funds and on finance institutions and their approach to lending.<sup>54</sup>

15.61 Mr Joseph Elu, Director, Reconciliation Australia, referred to the banking association in Canada which has gone into the schools. He stated:

Hence my argument about getting ABA to try and foster banking and financial education through the normal schooling curriculum, which has happened in Canada. It was an initiative of the banks. They funded it, they put a lady educator into their ABA to write a curriculum which they then gave back to the education department to put through their schools for Indigenous kids at first, but now they are using it for everybody in Canada.<sup>55</sup>

15.62 Mr Westbury also drew comparisons in the approach to education between Canada and Australia. He stated:

The Canadian Bankers Association, with the joint support of all major banking institutions in Canada, fund an enormous financial literacy and training program right across Canada. They are engaging ex-bank managers, retired bank managers, and people with experience in the sector to come in and deliver the courses in various guises in both schools and communities. They have specific units that are designed to be delivered in first nation communities. That is a quite significant undertaking. They see that as a long-term investment, even in those areas that they might not necessarily service now; they see them as customers in the future.

That has not been matched by anything here in Australia, although certainly the Westpac investment in the Cape is most commendable.<sup>56</sup>

15.63 It should be noted that the endeavour to improve the financial literacy of Indigenous people should be viewed against the background of the broader problems with Indigenous education. The ABS found that:

In 2000, a smaller proportion of indigenous students achieved the Year 3 reading benchmark compared with all students who were tested. Results for Indigenous students were substantially lower in most States, most notably in the Northern Territory, where 26% of Indigenous Year 3 students achieved the benchmark compared with 65% of all students. This may in part be

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54 *Submission 5*, p. 2.

55 *Committee Hansard*, 14 November 2002, p. 98.

56 *Committee Hansard*, 21 July 2003, pp. 541–2.

attributable to the fact that English is a second language for some Indigenous students, particularly those in remote areas.<sup>57</sup>

15.64 It noted further that in 2001 Indigenous students were less likely than all students to stay at school beyond the compulsory years. Mrs Leanne Birch from the Tangentyere Council informed the Committee that they have difficulties getting their younger children to attend school so that they have older people who can read and write but younger ones who can not.<sup>58</sup>

15.65 Education in the formal school setting is only one aspect of an approach that should also involve adult and community education. The first step is to equip Indigenous Australians in remote communities with the basic skills needed to undertake a straightforward banking transaction such as withdrawal from an ATM. The next challenge is to build on these basic skills to assist Indigenous Australians manage their personal finances.<sup>59</sup>

15.66 A number of programs have been initiated in the Northern Territory to work toward this goal. According to Mr John Gardiner, some two or three years ago, the Northern Territory Government and the Commonwealth Government worked with the Traditional Credit Union to promote a series of community development programs centred around the operation of a credit union. It dealt with the use of EFTPOS cards and family budgeting and formulated staff modules. Although popular and successful, the program lasted only two years.

15.67 The Tangentyere Council also developed an education program as part of a pilot project which concentrated on teaching banking fundamentals such as opening accounts to ensure that people received their payments. Mr McDonald explained:

In the process of doing that, we found that we had to explain to people how bank accounts worked and why they were needed. We would also explain to people how ATMs and keycards worked, and the benefits, and we would give them the opportunity to order one if they wanted to use one. We explained to them how they could cope with losing keycards and reordering new ones, the importance of not giving out your PIN and those sorts of things. We also explained how the new food voucher system was going to work and what it would mean. We had picture based booklets prepared to

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57 Australian Bureau of Statistics, *Australian Social Trends 2002*, Education—Participation in Education: Education of Aboriginal and Torres Strait Islander Peoples.

58 *Committee Hansard*, 22 July 2003, p. 582. See also Human Rights and Equal Opportunity Commission, *Emerging Themes*, National Inquiry into Rural and Remote Education, March 2000, pp. 57–67. The Commission found that in many parts of Australia Indigenous people—adults and children alike—have become alienated from the school system’, p. 57.

59 The Bank of Montreal provides practical examples of how it went about encouraging Aboriginal communities to embrace electronic banking. The focus was on drawing on people from within the community to provide personal assistance to members of the community. In one case the bank hired a respected aboriginal man in the community to be the ‘elder adviser on operation of the ATM’. Ron Jamieson, Bank of Montreal, Indigenous Banking dinner speech.

help people through that process, to explain it to them. Also we gave people training in using the ATM.<sup>60</sup>

15.68 Illustrations taken from this booklet are reproduced in the following chapter and show the very basic level of skill that the project hoped to develop in the community. The project did not reach the stage of providing budgeting skills, including numeracy skills. According to Mr McDonald that type of training has not been started and there is much groundwork to be done before they can provide people with opportunities to develop numeracy skills.<sup>61</sup>

15.69 The Department of Family and Community Services have also run a family income management program with the support of Westpac. The programs have highlighted the importance of matching the program to the community's needs and of the community's acceptance of the program. Indigenous communities are diverse and, as noted earlier, over 320 languages are spoken. Mr Mark Nolen noted that 'Unless you get them fully involved and they own the system and feel they are part of it, it will not work'. A lot of time is spent sitting down with people.<sup>62</sup>

15.70 The Committee acknowledges the success of a number of pilot education programs that have been tested in the Northern Territory. To date, however, they do not appear to be part of a concerted and broader strategy to educate people in financial matters. Their energies have concentrated on equipping Indigenous people with the basic skills and understanding to access their account and to manage a two-weekly budget. The Committee looks closely at these programs in the following chapter.

15.71 At this stage of the report, the Committee is interested in the role of governments and the banking industry in promoting financial literacy in Indigenous communities.

15.72 The Committee appreciates that the implementation of any education program needs to take a multi-pronged approach aimed at equipping both young and adult Indigenous Australians with basic literacy and numeracy skills, as well as providing them with practical experience in using banking services including telephone and internet banking. It also recognises the importance for Indigenous people to have the skills to manage their money matters and to have some understanding of how the banking world operates.

15.73 The Committee believes there is an urgent need for a long-term targeted program that will build on the work already undertaken. Of primary importance is to determine an overall understanding of the levels of financial literacy in Indigenous communities and to identify the areas of deficiency.

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

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

62 *Committee Hansard*, 21 July 2003, p. 517.

15.74 The basic survey undertaken by the Northern Territory's Department of Community Development provided some vital information about the provision of banking and financial services to remote Indigenous communities but it also highlighted the need for a more comprehensive assessment (see appendix 5). Mr John Gardiner from the Department submitted:

...entry into that field has to be done after fairly well-disciplined survey and study to find out what the communities' aspirations are so as to develop a service along those lines and also after observing what is working and finding out how that can be improved. That type of survey, I suggest, has never really been done in the Territory.<sup>63</sup>

15.75 It would appear that the number of trials and pilot programs that have been undertaken to improve access to banking services have not been part of a broader strategic approach to improve financial literacy among Indigenous people. The Committee suggests that any Government program or funding for Indigenous communities be developed as part of a broader policy framework that is intended to improve the economic and social wellbeing of Indigenous Australians.

15.76 The most pressing need is to have in place practical and workable solutions to assist Indigenous Australians manage their money. Measures such as the weekly welfare payments, Centrepay and direct crediting of payments into clients accounts are important initiatives that help Indigenous people access their payments and arrange their money affairs. However, they are mere stopgap measures if Indigenous people do not have the education and training to take advantage of these measures. It accepts that education and training programs are labour intensive and have much more to accomplish if Indigenous Australians are to achieve a level of financial literacy that would enable them to achieve economic independence.

#### **Recommendation 24**

**The Committee recommends that rather than continue with the piecemeal approach to the education of Indigenous Australians in financial literacy that the Australian Government work with the state governments to ensure that financial literacy and money management form part of the core school curriculum starting from the earliest years of primary education and carrying through to the secondary years of formal education and to adult education programs.**

#### **Recommendation 25**

**The Committee recommends that the Government provide funding for an employment incentive and professional development scheme to assist financial institutions, such as the Traditional Credit Union, provide employment and educational opportunities for Indigenous people in the financial services sector. Such a program could build on a number of Commonwealth projects in existence designed to assist indigenous people find employment and to upgrade their skills.**

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63 *Committee Hansard*, 21 July 2003, p. 520.

**The program, however, would be specifically targeted to encourage Indigenous people to pursue a career in the financial services sector. The program would be of benefit not only to individuals but to Indigenous communities where there is a need to have people who understand how Australia's banking and financial services industry works.**

### **Recommendation 26**

**The Committee recommends that the banking industry take a far more active and constructive role in improving the level of financial literacy for all Australians but particularly among Australia's Indigenous people. It recommends that the ABA examine closely the work being undertaken in Canada by the Canadian Bankers' Association with a view to adopting similar practices.**

15.77 The ABA has committed itself to working with government and other stakeholders to explore options for addressing the problems of access to banking services for the 32 towns identified in a survey commissioned by the ABA as having no over-the-counter banking service. All towns are located in remote and very remote regions of Australia, and have a higher proportion of Indigenous people living in the community than in the general population.

15.78 According to the ABA the banking industry is 'willing to commit resources in particular to finding solutions for the difficulties that people in remote Australia face, including personal financial literacy skills, and less choice of services'. The most recent step toward this objective was the announcement by the ABA to lead a tripartite Round Table ('Remote Services Round Table'). In brief, the initiative is to involve relevant government agencies, in partnership with Reconciliation Australia, to draw up action plans to improve access to banking services. This proposal is in keeping with a number of the Committee's recommendations. For example, the Committee sees an important role not only for institutions such as the Traditional Credit Union but the major banks in encouraging and assisting Indigenous Australians to pursue a career in the financial services sector (see recommendation 25). Recommendations 26 and 27 are also particularly relevant.

While the Committee endorses the ABA's proposal and strongly encourages other possible participants to support the roundtable process, the Committee, nonetheless, would like to see concrete evidence of financial institutions taking a more hands-on approach to providing financial services to remote communities.

