

**Feast, famine and fraud:  
considerations in the delivery of  
banking and financial services to  
remote indigenous communities**

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Professor Jon Altman  
Director, CAEPR  
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September 1999

## Foreword

Rapid changes in the application of new technologies and the associated deregulation of banking and financial services have disproportionately impacted on the historically poor levels of service delivery to indigenous communities in remote areas. When the withdrawal of banking services from remote communities is considered in conjunction with the high levels of indigenous reliance on Centrelink payment of welfare entitlements by cheque, these disproportionate impacts are even further compounded.

These changes highlight the need for existing government policies aimed at enhancing indigenous economic development to develop and include strategies that help ensure indigenous people obtain access to the same level of financial services that almost all other Australians enjoy.

Because of these apparent problems, the Alice Springs regional offices of the Aboriginal and Torres Strait Islander Commission (ATSIC) and Centrelink jointly commissioned a consultancy scoping report from the Centre for Aboriginal Economic Policy Research (CAEPR) at the Australian National University. CAEPR was extremely fortunate that Neil Westbury, currently a Visiting Fellow at CAEPR, was available to undertake this work that also has links with some research on microcredit undertaken at the Centre this year. A report 'Improving Indigenous Access to the Delivery of Banking and Other Financial Services in Central Australia' was completed by Westbury in July 1999 for ATSIC and Centrelink, Alice Springs. The report provided an analysis of the situation in Central Australia and also provided an account of discussions at, and key recommendations from, a one-day workshop of key stakeholders that was facilitated by Mr Westbury in Alice Springs on 19 April, 1999.

Due to a very high level of interest in the consultancy report's findings expressed by indigenous organisations and government and non-government, and in the interest of proper transparency, CAEPR decided to publish the report quickly for wider dissemination, with some minor stylistic changes to accommodate the requirements of the CAEPR Discussion Paper series. The consultancy report is reproduced here with a slightly different title and it is hoped that it will facilitate ongoing discussion and further research in this important area of public policy. I am certainly very pleased by the extent of collaboration that was made possible by this project between stakeholders in Central Australia and researchers working at CAEPR: the research reported is the result of an exemplary collaborative policy-focused research process.

Professor Jon Altman  
Director, CAEPR  
September 1999



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## Summary

The ability of indigenous people to manage and budget their income, arrange to pay third parties, purchase food, goods and services, and maintain a level of financial and economic independence and planning, are all reliant on maintaining informed access to appropriate banking and financial services.

The issue of indigenous people's access to, and understanding of, banking and other financial services lies at the heart of their ability to participate in the cash economy, thereby improving their general quality of life and, in the longer term, assisting in the reduction of welfare dependence.

The current disproportionate reliance of indigenous people on Centrelink disbursements paid by cheque is symptomatic of their lack of access to, knowledge of, and equitable participation in, Australia's wider financial system and related economy.

Centrelink cheques are not only an ineffective form of payment they also compound existing welfare dependence and cyclical patterns of inter-generational poverty for indigenous people and their families.

This is particularly evident in Centrelink's Area North Region where 38 per cent of all Centrelink's cheques are issued. Census analysis over a ten-year period confirms that indigenous people resident in remote Northern Territory communities will increasingly rely heavily on welfare payments. Therefore the focus on how these entitlements are delivered and are able to be accessed and managed by indigenous people will be critical to their wellbeing. Effecting changes to the delivery of these services by merely employing new and developing technologies alone will not resolve current problems.

There is clear evidence that the deregulation of Australia's financial system and the adoption of new technology have exacerbated barriers to delivery of financial services to indigenous people. However, these changes also afford opportunities for the establishment of partnerships between indigenous people and service deliverers to design and deliver services oriented to the specific circumstances of indigenous people. The experience gained as a result of the successful indigenous initiated establishment of the Traditional Credit Union confirms that indigenous people are quick to fully utilise and directly benefit when services are designed to meet their specific needs.

These issues point to the need for a more holistic policy response by government and banks. The existing barriers to service delivery need to be addressed through the development and implementation of an integrated strategy that includes the adoption of best practice policy approaches by the banks and government service providers. Alternatively, indigenous people who are currently substantially disadvantaged, run the very real risk of being further economically marginalised, whilst the already high social and economic costs to service providers and government will only continue to escalate.

This discussion paper identifies the current barriers to improving delivery of financial services to indigenous people in Central Australia. It describes existing responses to addressing these barriers, and recommends short- and longer-term options for building on existing initiatives, drawing on demonstrated experience elsewhere in the Northern Territory, Australia and overseas. Many of these issues were identified and discussed at a workshop convened jointly by the Aboriginal and Torres Strait Islander Commission (ATSIC) and Centrelink in Alice Springs on 19 April 1999 with participation drawn from indigenous organisations, banks, indigenous community stores, local government, credit unions and government service deliverers.

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## Acronyms

ABA	Australian Banking Association
ACU	Advantage Credit Union
ALPA	Arnhem Land Progress Association
ATM	Automatic Teller Machine
ATSIC	Aboriginal and Torres Strait Islander Commission
CDEP	Community Development Employment Projects scheme
CUSAL	Credit Union Services Corp. Australia Ltd
DFaCS	Department of Family and Community Services
DSS	Department of Social Security
EBTC	Electronic Benefit Transfer Card
EFTPOS	Electronic Funds Transfer at Point of Sale
HRSCEFPA	House of Representatives Standing Committee on Economics, Finance and Public Administration
TCU	Traditional Credit Union



## Introduction

There are instances of storekeepers in remote areas and in town being the address point for Department of Social Security (DSS) [Centrelink] cheques. In some instances this has created a 'capture' situation in that Aboriginal customers are extended a line of credit and storekeepers insisted on the signing over of DSS cheques to meet accumulated debts. This had led to exploitative pricing of goods by some shopkeepers and customers being prevented from purchasing elsewhere... There is also a significant incidence of exploitation of town camp people by a minority of small business in Alice Springs. Two or three general stores possibly receive cheques for up to 30 Aboriginal DSS [Centrelink] clients... Some taxi drivers charge ridiculously exploitative fares... It appears that social problems are not simply an issue of insufficient or poorly distributed income but also the fact that a significant proportion of income is 'ripped off'. While DSS [Centrelink] is not responsible for this situation its administrative system has encouraged dependence on third parties to cash cheques, to complete complex forms and deal with correspondence. This has led to many clients being caught in exploitative situations. In addition lack of appropriate infrastructure may require cheques to be cashed in total; this inhibits money management and usually results in the quick dissipation of funds early in the fortnightly payment cycle (Commonwealth Ombudsman 1997: 11-12).

The research upon which this discussion paper is based was commissioned as a joint initiative of Centrelink and the Aboriginal and Torres Strait Islander Commission (ATSIC) Regional Offices in Alice Springs. The terms of reference (listed at Appendix A) were to investigate and report on a range of issues connected to indigenous access to banking (financial) services in Central Australia, particularly as these services relate to the provision of Centrelink entitlements. The research project was also required to identify matters that need further investigation, and propose a process by which further work could be undertaken and implemented, including consideration of potential sources of funding. A report entitled 'Improving Indigenous Access to the Delivery of Banking and Other Financial Services in Central Australia' was provided to ATSIC and Centrelink Regional Offices in July 1999.

The discussion paper is set out as follows. First, the issues of improved indigenous access to financial services in the context of national and international problems and opportunities arising as a result of financial deregulation of the banking sector, and the extent to which indigenous people appear to be disproportionately affected by these changes, are considered.

Second, the barriers to improving service delivery, both those brought to light at the workshop and in subsequent research, are identified. The impacts of these barriers on indigenous communities are analysed.

Third, the existing attempts being made by various key stakeholders to improve delivery of financial services to indigenous people regionally, nationally and overseas are explored.

Fourth, the paper considers how existing responses could both inform and be built upon in order to develop a more coherent and holistic strategy aimed at improving services in this arena over time.

Lastly, a series of short and longer-term options and policy implications, are canvassed.

## Purpose and outcomes of the workshop

As a starting point for the research project, a workshop was convened by ATSIC and Centrelink in Alice Springs inviting representatives from relevant indigenous organisations, the major banks, remote community store managers, relevant government agencies, local government and the Traditional Credit Union (TCU). The author facilitated the workshop. (The list of workshop participants is at Appendix B.) The objective of the workshop was to identify existing barriers and potential solutions to improving indigenous access to banking services in Central Australia.

The outcomes of the workshop, set out at Appendix C, focus on defining current problems in service delivery and on identifying potential solutions. Participants brought a considerable wealth of practical experience and suggestions to the workshop. The issues identified and options

discussed have been investigated further by the consultant and, together with additional research into a range of options, formed the basis of a report to ATSIC and Centrelink.

The report which formed the basis of this paper, was the product of an information gathering exercise based upon 15 research days during which the preliminary workshop was conducted in Alice Springs; a draft report was circulated to ATSIC and Centrelink for comment; further research was carried out; and a number of people provided their expert advice and assistance. The report was not a comprehensive coverage of the current circumstances throughout Central Australia where there is a diversity of cultural and socioeconomic circumstances across a range of communities. Rather, the report provided an overview of the key factors identified by the project as critical to the current and future improved delivery of financial services to those communities.

## **Background**

### **Wider technological and regulatory developments**

Technological and regulatory developments are transforming the way banking and like services are being delivered to the community. There is no doubt that some of these developments are improving access to banking in many parts of Australia. However the changes have also resulted in many banks having significantly rationalised their branch networks leading to a loss of services for some, particularly in smaller regional and remote centres (Commonwealth of Australia 1999b: vii).

The issues discussed at the Alice Springs workshop, and further identified in this discussion paper, form part of a set of changes to the delivery of financial services occurring not only in Australia, but also internationally. Within Australia the combined effects of technological change, deregulation, and a focus on securing maximum returns for shareholders have all contributed to a withdrawal of banking services from regional and remote centres in all States and Territories. These withdrawals have left these centres at a significant disadvantage.

Widespread community concerns over the impact of the withdrawal of financial services resulted in a House of Representatives Standing Committee on Economics, Finance and Public Administration (HRSCEFPA) inquiry and a subsequent report titled *Regional Banking Services—Money Too Far Away* (Commonwealth of Australia 1999a). During 1998 the Committee travelled throughout Australia, took submissions and conducted public hearings. The Commonwealth Government is currently considering its response to the report's recommendations.

Whilst the HRSCEFPA inquiry found that the removal of financial services in regional and remote communities have had particularly adverse impacts, it also concluded that this removal had resulted in local communities and organisations, such as credit unions, initiating action to establish alternative services. The Committee made a number of recommendations aimed at enhancing the ability of communities in regional and remote Australia to take advantage of new technology, maintain reasonable access to banking services in the short term, and gain improved access to services in the long term.

The HRSCEFPA report found that corresponding to the withdrawal of traditional banks, there was a decrease in banking agencies, which, between 1990 and 1998, decreased by 1,705 agencies across Australia. This withdrawal of bank agencies has disproportionately impacted on remote and rural areas where people previously maintained their only access to financial services largely through the bank agencies operating within their communities.

### **The impact on indigenous communities**

The HRSCEFPA inquiry did not have a specific term of reference to investigate the impact of these technological and regulatory changes on indigenous communities. However, the Committee nevertheless identified some potential mechanisms for improving indigenous access to financial services in remote regions. In fact, as this discussion paper indicates, the impacts of these

changes for indigenous people in Central Australia and elsewhere are substantial. Indigenous people resident in remote communities have historically lacked access to, and subsequent familiarity with, the banking system. The complex changes occurring in the banking and financial services sector mean that indigenous people are becoming even more marginalised from accessing those services given the existing:

- lack of access to credit because indigenous people often have limited credit records and no collateral (McDonnell 1999);
- lack of community infrastructure to support sustainable banking services;
- high cost of delivering and accessing credit services in remote areas;
- population mobility and resultant reliance on non-regulated financial service providers;
- lack of familiarity and exposure to the requirements of operating new technology;
- disproportionate reliance on Centrelink payments by cheque;
- perceptions by banks that indigenous customers are high risk and add no value to the banks' financial 'bottom line'; and
- lack of culturally sensitive financial counselling, education and training services.

Despite the above issues and the fact that rapid changes have occurred in banking services in the past decade (and look set to continue), there are significant opportunities for indigenous communities to organise alternative services that are more responsive to their particular needs. This potential is reflected in the Commonwealth Government's preparedness to commit significant resources to programs that assist regional and remote communities to investigate the feasibility of establishing alternative financial services.

## **Identifying the barriers to improving service delivery**

### **Underlying factors**

Access to financial services is an essential requirement for participation in modern society. All consumers need mechanisms for storing and saving money and for receiving and making payments to third parties. In this sense, basic banking services have much in common with central utilities such as electricity, gas and water (Commonwealth of Australia 1999b: 30).

The above sentiments expressed by the National Farmers Federation to the HRSCEFPA inquiry apply equally to indigenous communities. The workshop held in Alice Springs provided an important opportunity to identify, from the perspective of both service users and providers, the issues that hinder improvements in the delivery of financial services to indigenous people in Central Australia. Workshop participants acknowledged that for any effective solutions to be forthcoming some common understandings need to be reached by key stakeholders on the issues involved. The issues are not unique to Central Australia, but reflect similar barriers faced in many other communities across Northern Australia. Moreover, these issues are accentuated where there are no regulated financial services and individuals and families maintain a heavy reliance on Centrelink entitlements paid by cheque. A number of these barriers are highlighted below.

### **Demographic factors**

In 1996 the indigenous population of the Northern Territory totalled 46,327, an increase of 16 per cent from 1991. One feature of the indigenous distribution within the Territory has been the gradual increase in the proportion of the population resident in urban areas such as Alice Springs (Taylor and Roach 1998). As Taylor and Roach have noted, some of this movement into urban areas is short-term and circular in character, and urban populations such as those in Alice Springs retain strong links with surrounding hinterland communities and outstations. This network of mobility in Central Australia means frequent movements of people between Alice Springs and surrounding communities, which, in turn, creates difficulties for service delivery.

## **Income**

In respect to relative income for indigenous adults in the Northern Territory in 1996, the mean income was \$11,000 compared to \$27,000 for non-indigenous adults. Taylor and Roach (1998) have noted that in 1996 there was also a decline in the ratio of mean income for rural-based indigenous people in the Northern Territory compared to those in urban areas; largely due to their reliance on welfare-equivalent income generated from the Community Development Employment Project (CDEP) scheme. Overall, while indigenous people in urban areas such as Alice Springs have incomes around half that of non-indigenous town residents, indigenous people in rural areas surrounding the town are even more starkly disadvantaged compared to those in urban areas.

This economic disadvantage is reflected in the fact that the unemployment level among indigenous Territorians worsened relatively and now stands at three times the level recorded for non-indigenous adults. As a direct consequence, indigenous welfare reliance in the Northern Territory is far higher (at 45 per cent of the population) than that for the non-indigenous population (at 8 per cent). The analyses over a ten-year period between 1986 and 1996 provided by Taylor and Roach (1998) strongly suggests a continuing and substantial deterioration in income and employment levels on remote indigenous communities and the need for continued government subvention by way of welfare transfers and labour market programs. This sustained, and in some areas increasing, dependence on welfare and related programs will place pressure on agencies such as Centrelink. Therefore, the focus on how these entitlements are delivered and able to be accessed and managed by indigenous people will be critical to their wellbeing.

## **Urban versus remote issues**

There is an important distinction that needs to be drawn between issues that impact on improving service delivery in Alice Springs compared to the situation in remote communities within the region. In Alice Springs, all the major banks are represented and bank agencies are also operating. The barriers identified in Alice Springs primarily relate to indigenous people's ability to access services that are already established and, conversely, the capacity of the banks to provide appropriate services. The barriers in remote communities centre either on the entire lack of, or significant limitations on, the availability of any regulated financial services.

## **Infrastructure shortfall and economic disadvantage**

Indigenous communities in Central Australia, including town campers within Alice Springs, suffer from an historical shortfall in infrastructure and basic utilities. In remote communities this infrastructure shortfall has acted to exacerbate the problems encountered in maintaining sustained access to financial services. Low levels of literacy, labour force participation and comparative low incomes in addition to the shortfall in infrastructure, are indicators of ongoing economic marginalisation amongst many indigenous people in Central Australia and compound the difficulties they experience in accessing financial services.

## **Cultural factors**

Another barrier to improving service delivery is the mismatch that frequently occurs between the culturally-based behaviours and values that underpin indigenous societies and those upon which the mainstream market economy is based. If service delivery barriers are to be ameliorated, government departments and financial agencies need to achieve a sensitive balance between their own policy imperatives for efficient and cost-effective delivery of financial services to indigenous communities, and indigenous culturally-based needs and priorities.

Any understanding of the relationship of indigenous Australians with the wider economy needs to take into account the cultural rules underpinning reciprocity and 'demand sharing' amongst indigenous people (Schwab 1995). The pattern of sharing food, cash and other resources within indigenous communities is strategically determined by kinship ties and social alliances

which extend beyond families and physical households. Demand sharing, mobility and its residential impact of high visitor numbers, have a significant impact on indigenous household economies, severely taxing their resources and undermining individual's savings and expenditure capacity (Finlayson 1991; Smith and Daly 1996). These rules and how they are applied in everyday life are often overlooked or misunderstood and result in policy approaches by service providers that fail to take account of existing community structures and expectations. These culturally-based factors, combined with ongoing economic disadvantage, influence indigenous people's relationship with the cash economy. For example, banks are seen as cash outlets not as savings facilities; there is a low cultural emphasis on savings; and Centrelink is viewed as a de facto banking service.

## **Centrelink delivery issues**

### **Difficulties associated with payment by cheque**

On a national basis, as of May 1999, Centrelink retains payment by cheque for 30,000 recipients per fortnight. As shown in Table 1, of this total, one-third of cheques are issued within Centrelink's 'Area North Australia' region which covers the Northern Territory, the Kimberley, Ngaanyatjarra regions of Western Australia and the Anangu Pitjantjatjara lands of South Australia (see Appendix D).

Of the customers who receive their welfare payments by cheque, 38 per cent reside in the Area North region and these cheque payments constitute one-third of the total amount paid nationally by this method.<sup>1</sup> In other words, welfare recipients in the Area North region, over and above all other Centrelink regions, are highly dependent upon payment by cheque and a high proportion of such recipients are indigenous. (Based on its administrative identifier data, Centrelink calculates approximately 90 per cent of cheque disbursements in the Area North Region are directed to indigenous people). Of the total cheques issued in Area North, the greatest proportion (90 per cent) go to family, Newstart and pension payments.

The retention of payment by cheque in Area North Australia, when many other Centrelink regions are increasingly changing over to electronic banking, is a response to the problems faced by indigenous recipients in accessing appropriate and regulated banking services in remote areas. This access problem encourages recipients to cash their entitlements through non-regulated services such as stores, taxi drivers, community councils and hawkers etc. (It should also be acknowledged that many of these arrangements reflect a long history of indigenous people experiencing 'book-down' credit as normal and, in many cases, viewing its continued practice as essential to their wellbeing.) However, there are inherent inefficiencies and risks associated with disbursing entitlements in this manner. The potential for fraudulent misuse of cheques is a problem that has been widely acknowledged for many years and been the subject of examination by the previous Department of Social Security (DSS) and the Northern Territory Ombudsman (Smith, Adams and Burgen 1990; Commonwealth Ombudsman 1997). Low levels of literacy and numeracy skills can result in indigenous peoples becoming particularly dependent upon unscrupulous traders who operate 'book-down' systems for individual cheque recipients. Issues also arise in relation to ensuring the 'right cheque' gets to the 'right person'. A range of specific examples were raised at the workshop of potential fraud occurring in the cashing of cheques by persons other than the nominated recipients.

Again, the above mentioned problems are not new and have been the subject of internal reports by DSS and by the Royal Commission into Aboriginal Deaths in Custody (Commonwealth of Australia 1991). The inefficiencies of this system are also of concern to Centrelink; each individual cheque costs 75 cents to issue, compared to 2 cents per electronic transfer. As Table 2 shows, the cost of issuing cheques in Area North alone, per fortnight, is \$8,184; representing a projected cost of \$1 million over a five-year period. This compares to the cost of \$218 per fortnight to deliver the same payments by electronic banking, a saving of close to \$7,965 a fortnight and \$1 million over a five-year period. Australia-wide, Centrelink would save approximately \$2.7 million over five years if it moved from cheque to electronic banking payments methods. (The TCU, for

example, has calculated that, based on these figures alone, it has already saved Centrelink \$520,000 over the past four years by enabling its members to move from cheque to electronic credit.)

**Table 1. Fortnightly Centrelink welfare payments by cheque, nationally and by Centrelink region, May 1999**

Region	Total		Per cent	
	No. of customers	Amount \$	No. of customers	Amount \$
South West NSW	897	284,831	3.1	3.6
South Australia	1,733	499,134	6.0	6.4
Hunter NSW	913	297,762	3.2	3.8
North Queensland	2,663	685,905	9.2	8.7
Area Western Australia	2,700	744,093	9.3	9.5
Area North Australia	10,912	2,579,241	37.7	32.9
Brisbane	1,442	468,654	5.0	6.0
West Victoria	879	250,456	3.0	3.2
Pacific Central	1,059	327,491	3.7	4.2
South Metropolitan NSW	792	248,315	2.7	3.2
West NSW	820	249,329	2.8	3.2
State Tasmania	371	111,703	1.3	1.4
East Coast NSW	1,582	515,346	5.5	6.6
Area South East Victoria	815	221,797	2.8	2.8
Area North Central Victoria	1,152	326,517	4.0	4.2
North Victoria	17	3,141	0.1	0.0
Sydney Central NSW	3	518	0.0	0.0
Other	143	5,500	0.5	0.1
International	72	20,492	0.2	0.3
Total	28,965	7,840,225	100.0	100.0

Source: Centrelink 1999.

**Table 2. Current Centrelink costs and projected savings on payment by cheque relative to electronic transfer, May 1999**

Cost to Centrelink of issuing a cheque (at 75 cents each)		
Australia	\$21,724	per fortnight
	\$564,818	per year
	\$2,824,088	over five years
North Queensland	\$1,997	per fortnight
	\$51,929	per year
	\$259,643	over five years
Area North Australia	\$8,184	per fortnight
	\$212,784	per year
	\$1,063,920	over five years
Cost to Centrelink of an electronic bank transaction (at 2 cents per transaction)		

Australia	\$579	per fortnight
	\$15,062	per year
	\$75,309	over five years
North Queensland	\$53	per fortnight
	\$1,385	per year
	\$6,924	over five years
Area North Australia	\$218	per fortnight
	\$5,674	per year
	\$28,371	over five years

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Cost savings to Centrelink of using electronic transfer (cheque cost less bank cost)

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Australia-wide	\$21,144	per fortnight
	\$549,756	per year
	\$2,748,779	over five years
North Queensland	\$1,944	per fortnight
	\$50,544	per year
	\$252,719	over five years
Area North Australia	\$7,966	per fortnight
	\$207,110	per year
	\$1,035,549	over five years

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Note: All calculations are based on unrounded figures.

Source: Centrelink 1999.

Additional to these costs are those created when indigenous cheque recipients visit Alice Springs and seek the redirection of their entitlements which have already been sent to their home community. Centrelink then reissues the payment via a counter cheque or an electronic benefit transfer card (EBTC). It is not uncommon to subsequently find that the original cheque has already been cashed at the recipient's home community (for example, at the community store), but has not as yet been presented at a bank. Although Centrelink can invariably retrieve the resultant overpayment, the administrative workload and cost overruns that arise when the original cheque is cancelled are considerable for all the parties affected; that is for clients, Centrelink, banks, community stores and organisations. (At the time of preparing the report, data were not available on the number and additional administrative costs associated with dealing with dishonoured cheques.)

Further costs are also associated with the time taken by Centrelink staff to issue the 'proof of identity' needed by clients in order to have cheques cashed at local banks in Alice Springs. Centrelink argues that this requirement for a Centrelink 'proof' even occurs in cases where individuals already have accounts with the banks or other forms of identification (for example a driver's licence).

The costs associated with providing this service are set out in Table 3. As Table 3 shows, providing counter cheques, EBTCs and proof of identity documentation cost Area North alone \$7,514 per month, or \$90,163 annually. Projected over a period of five years these combined costs amount to \$450,812.

**Table 3. Area North Australia: number of Centrelink counter cheques and EBTCs, and estimated Centrelink costs, May 1999**

Area North	Counter cheques			EBTCs		
	Cn cheques issued/mth	Per cent	Staff cost/month (\$)	EBTC issued/month	Per cent	Staff cost/month (\$)
Australia						
Alice Springs	56	14	186	208	11	689

Broome	34	9	112	117	6	389
Casuarina	94	24	311	451	24	1,493
Casuarina Remote	-	-	-	37	2	124
Casuarina Youth Service Centre	-	-	-	119	6	393
Knuckey Street	81	21	269	307	16	1,016
Katherine	68	17	225	251	13	831
Kunnunurra	8	2	27	144	8	477
Palmerston	33	8	108	244	13	808
Palmerston Rem.	-	-	-	0	0	-
Other	-	-	-	1	0	4
Tennant Creek	15	4	51	-	-	-
Total per month	389	100	1,289	1,879	100	6,225
Total per year	4,668	-	15,467	22,544	-	74,696
Total over 5 years	23,340	-	77,333	112,720	-	373,479

Source: Centrelink 1999.

### Feast or famine

Anangu refer to an institutionalised 'Mai Wiya day' (no food day) when money has run out and children and adults eat little. Across the (Anangu) land 'Mai Wiya day' was three days long (Tregenza and Tregenza 1999)

Poverty is the normal state of life for the majority of town campers [in Alice Springs] as it is for most remote Aboriginal people. The only means of escape from poverty is 'real jobs, real training, real wages'. As a result there is a major, if not lifelong dependency on government payments such as social security benefits, pensions or CDEP. The effectiveness of the delivery and adequacy of these payments is therefore crucial (Commonwealth Ombudsman 1997: 12).

A significant issue that arose at the workshop and is reflected in detailed research previously carried out on indigenous households is the problem faced by families in maintaining a cash flow sufficient to purchase foodstuffs over the full fortnight period between the receipt of Centrelink entitlements (Finlayson 1991; Martin 1993; Smith and Daly 1996). This problem is exacerbated by the lack of access to banking services which results in recipients being forced to cash out their complete entitlements each time they receive them, or acts as a powerful incentive to enter into informal 'book-down' arrangements with various traders. In July 1998, the Tregenzas carried out a detailed survey of the incomes of Anangu people resident in the Anangu Pitjantjatjara lands and concluded that the majority are unable to maintain a healthy lifestyle due to low levels of disposable income and the high cost of living. Their research concluded that compared to an Australian average of 40 per cent of income spent on the cost of living, the Anangu cost of living consumes 85 per cent of their income (Tregenza and Tregenza 1999).

Detailed research carried out by Martin at Aurukun on household income and expenditure similarly highlighted inherent problems created by a lack of cash accumulation, the high cost of goods in community stores, and the phenomena locally described as 'big and slack weeks', with 'slack weeks' meaning there were real shortages of both cash and food in the community (Martin 1993). Finlayson (1991) pointed to the same cycle of feast and famine in Kuranda, north Queensland. Views expressed at the workshop were that these problems are exacerbated by the Commonwealth Government's current policy of paying Centrelink entitlements fortnightly rather than weekly. Although this may be partly ameliorated by new arrangements which allow recipients to stagger payments of different benefits over the fortnight, it was agreed that this would only partly address current service delivery and access problems. The workshop identified the issue of Centrelink moving to the provision of weekly payments as a key consideration in any strategy to address the 'feast or famine' phenomena.

### Banks

A number of factors can be identified as constituting barriers to improving service delivery by the banks to indigenous people. These include:

- lack of established bank protocols for dealing with indigenous clients (particularly in relation to handling of 'proof of identity' issues in cashing of Centrelink cheques, and handling indemnity issues);
- lack of trained indigenous staff employed by the banks with required language skills to help service indigenous customers;
- lack of a consistent approach to cross-cultural training by all the banks; and
- indigenous customers being seen as 'a burden' that disproportionately falls on one or two of the banks in the Alice Springs.

## **Existing responses in improving service delivery**

### **Current responses**

The committee considered that alternatives, which are purely electronic, are not at this stage, and may never be an adequate substitute for face to face banking services. Accordingly, in assessing the role that different alternatives may play in maintaining reasonable financial services in regional and remote Australia, it rates highly the degree to which they preserve the face to face mode of delivery (Commonwealth of Australia 1999a: 33).

There are a wide range of measures that have already been initiated to improve service delivery to indigenous people by their organisations, community stores, Centrelink, ATSIIC, the banks and credit unions.

### **Maintaining bank agencies**

As a direct response to the problems experienced by its members, the Tangentjere Council in Alice Springs has maintained and operated a bank agency under the auspices of Westpac for a number of years (currently servicing 686 active accounts). Indigenous clients of the Council can arrange to have their fortnightly Centrelink entitlement sent by cheque directly to Tangentjere's post office box (currently averaging about 250 cheques per week). The Council deposits these in the individual's account and arranges for deductions of rent, power, etc. In a number of instances they also issue cash-equivalent food vouchers to individuals to purchase food at Tangentjere's supermarket.

Tangentjere calculates that the cost of maintaining this bank agency (excluding the additional services of deductions, food vouchers and the like) costs it one full-time staff member equivalent salary of \$42,000 plus operational costs of \$5,000 per annum. Westpac pays Tangentjere \$6,000 per year to maintain the agency, leaving the Council to pick up the \$41,000 shortfall.

The service provided by Tangentjere is critically important to various sections of the indigenous community. For example, aged pensioners who need to be assured of access to food over the period between the arrival of their welfare entitlements can also arrange for regular payments to be made on their behalf to cover recurring costs such as for rent and electricity, by maintaining deductions at source.

### **Extension of Electronic Funds Transfer at Point of Sale (EFTPOS) services**

A number of stores located in remote communities (for example, Harts Range and Papunya) have, or are in the process of gaining, access to EFTPOS. EFTPOS is designed to enable the purchase of goods or the transfer of monies electronically using either debit or credit cards rather than cash. Many outlets allow cash to be withdrawn through EFTPOS terminals, enhancing its value as an alternative means of accessing some banking services. Through EFTPOS, banks acquire debit transactions from service providers with whom they have merchant agreements, for a fee.

The costs of acquiring and maintaining EFTPOS terminals vary considerably. Some banks provide machines rent-free, but with relatively high transaction fees (for example Harts Range charges 65 cents per transaction); whilst others charge a monthly fee in addition to a smaller transaction fee. There are some problems for community stores when providing this service and it can be costly. For example, community organisations or businesses may have to bear the cost of rental of equipment, extra telephone lines and additional security in addition to paying fees accrued with each transaction.

The need to hold a supply of cash imposes additional costs relating to security and time spent transporting cash to and from the nearest bank. As a result, stores limit the amount of cash that can be withdrawn and charge fees on the use of EFTPOS terminals for withdrawals to cover their costs (for example Harts Range charges \$2 per cash withdrawal). Interest charged to the EFTPOS terminal operator for credit card purchases is also an issue, varying from 6.15 per cent for a community store to 2.2 per cent for a fuel vendor. A significant limitation of EFTPOS is its current inability to accept deposits and provide account balances (Commonwealth of Australia 1999a: 71–4). By extending EFTPOS services, community stores have become de facto banks by providing basic banking services.

### Safe custody of cards and passbooks

In response to problems experienced by some indigenous customers in maintaining adequate security of their individual passbooks and key cards, some banks have offered to hold these in safe custody on the customer's behalf. Figures provided by the banks on the use of this service are set out below in Table 4, below.

**Table 4. Safe custody services offered by major banks, Alice Springs, May 1999**

Bank	Passbooks	Keycards	Total
ANZ	102	82	184
Commonwealth Bank	120	Nil <sup>b</sup>	120
NAB	100 <sup>a</sup>	Nil <sup>b</sup>	100
Westpac	13	Nil <sup>b</sup>	13
Total	335	82	417

Note: a. The NAB have advised this service is now restricted to existing passbooks and no new customers will be able to access this service.

b. Denotes that the service is not made available by the bank.

ANZ is the only bank currently prepared to extend this service to key card holders and NAB have confirmed that the passbook safe custody service is to be discontinued and 'no new accounts will be accepted in this manner'. The lack of a safe custody service provided by a majority of the banks acts as a disincentive for customers to transfer to electronic accounts, with evidence pointing to problems occurring when cards are lost (sometimes with pin numbers affixed), or pin numbers are simply forgotten.

### Electronic Benefit Transfer Card (EBTC)

Nationally, Centrelink have instituted the EBTC system, which effectively replaces the issuing of counter cheques with a smart card. This system enables customers to access up to the full amount of their benefit by an electronic card that can be used in Automatic Teller Machines (ATM). These cards are issued to people who are seeking emergency assistance through a temporary redirection of an existing Centrelink benefit. The card is only issued to those people who are confident in using it or can quickly adapt to its requirements following some practical instructions by an indigenous liaison officer. (However, Centrelink's experience is mixed; they cite one example where a customer, after exhausting the amount available on the card, attempted to continue using it for withdrawals 627 times, for which Centrelink incurred a 35 cents charge

each time, notwithstanding that credit was fully exhausted.) This system can, however, be advantageous in that it avoids the use of counter cheques and associated problems of proof of identity.

### **Centre Pay**

Centrelink provides a service, Centre Pay, which enables recipients to arrange automatic deductions from their entitlements to cover items such as rent and power charges. This service incurs a fee of 95c per transaction and deductions can be made up to a total comprising 60 per cent of the total benefit.

### **Smart cards**

A smart card is a credit-sized card containing a computer chip that can store and transfer monetary value. Smart cards can be reloaded at an ATM or at a phone terminal link to the user's account. The HRSCEFPA inquiry investigated the potential advantages in the use of smart cards by benefit recipients from Centrelink (Commonwealth of Australia 1999a: 84–6).

The inquiry received submissions from the Bardi community in Western Australia, which has been examining the feasibility of using smart card technology in its community. They want the card to be used for CDEP wages, Centrelink payments and to purchase goods and fuel from the community store. A Perth company known as E-card is proposing to supply all the necessary hardware and software for a six-month trial under contract to the community. However, the community is concerned about the long-term costs they may need to absorb after the trial period. They are now hoping that, following the release of the HRSCEFPA report recommendations, a proposed trial in a small rural community of a smart card product could, in fact, be run in their community. Centrelink are currently negotiating a trial project in partnership with Telstra, the Health Insurance Commission, the Office of Government Online and the Western Australian Government to operate in selected rural communities in Western Australia, to be known as WA Rural Connection. Underwritten by Telstra, the smart card will enable participants to reload their cards or make payments via a specifically designed Telstra public pay phone. It is unclear at this point in time whether any remote indigenous people will participate in the initial trial.

### **Credit Care**

Credit Care is a national cooperative project between the Commonwealth and New South Wales Governments and the Credit Union Services Corporation Australia Ltd (CUSCAL). It aims to assist people in regional and remote communities across Australia to secure convenient access to basic financial services. It neither funds nor subsidises the establishment of credit unions, but rather provides funds to assist communities to work through a process aimed at re-establishing financial services within a community. Working with local communities it helps them to assess their financial viability, through organising community meetings, conducting surveys and developing business plans in respect to financial services.

### **Rural Transaction Centres**

In 1998, the Commonwealth Government announced it would provide up to \$70 million over a five-year period to establish up to 500 Rural Transaction Centres in rural areas. These will provide services such as personal banking, elements of business banking, postal services, Medicare claims and phone and fax facilities. Later services to be added include Job Network, Internet and Centrelink. It is envisaged that local communities would run these Centres themselves or as a small business in the community. The program is being phased in during 1999 with \$3 million to enable start up. Implementation of the full program of establishing 500 centres (estimated to cost \$70 million) should now proceed given the passage of government legislation permitting the 16 per cent sale of the remainder of Telstra. The program will fund capital and maintenance.

## **GIRO Post**

Australia Post has significantly expanded services through the establishment of an electronic banking network, GIRO Post, which is available through 2,670 outlets. GIRO Post offers customers of participating financial institutions access to card-based PIN-authorized banking services including personal deposits, withdrawals, account balances and payment for credit card bills. The GIRO Post service is not available in remote communities and currently does not provide business services Australia-wide.

A wider potential role for Australia Post is to assist in streamlining the delivery of banking services to remote indigenous communities (for example, Montreal Bank and Canada Post have developed a joint arrangement for the delivery of the Bank's services to remote Indigenous communities in Canada) (Bank of Montreal 1998).

## **Indigenous credit unions**

There are two examples of initiatives that have been taken to establish alternative financial services in the form of credit unions to meet the express needs of indigenous people. The first and most established is the TCU. Established in December 1994, the TCU operates in its own right principally in the Top End of the Northern Territory. The more recent initiative is the First Nations Credit Union, which operates under the umbrella of the Advantage Credit Union (ACU).

## **Traditional Credit Union**

The TCU caters specifically for remote area communities in the Top End of the Northern Territory and has branches at six communities and a head office in Darwin. It was initially established as an initiative of the Arnhem Land Progress Association (ALPA), which owns and/or manages a number of community stores. The establishment of the TCU was preceded by extensive community consultations (initially with traditional landowners, clan leaders, community councils and interest groups of the communities involved) using a specifically designed education and training program developed for community members.

The decision to establish the TCU arose out of the lack of banking and credit services. In particular, there were concerns that 'having cash cheques each fortnight with no savings facility made budgeting difficult—many community residents were in a feast or famine cycle' (ALPA 1994: 16). In response to these concerns, the TCU provides a full range of banking services including savings, budget accounts, Christmas club accounts and cheque accounts. It also manages periodical payments and loans, and provides financial counselling services. TCU's charges are high in order to cover the costs of delivering services in remote regions. These currently include a charge to customers of \$10 to make any deposit over \$200. TCU membership is open to all Australians and can be accessed by purchase of a \$2 share.

Following its initial investment, TCU has posted a profit this financial year and also began making loans to its members from July 1996. Initial capital included a capital injection of \$147,000 (having incurred \$150,000 development costs) by ALPA, plus a subordinate debt of \$200,000, a grant of \$400,000 from ATSIC, and \$28,000 from the Northern Territory Government for education. Some of the outcomes achieved by the TCU since its establishment include:

- Current membership of 5,100 members of which 95 per cent are indigenous with most members living on remote Aboriginal communities in the Top End of Northern Territory.
- Growth from one to six branches, five of which are supervised by an indigenous staff member.
- Of its 32 staff, 25 are indigenous and receive regular training.
- An increase in food sales through ALPA stores.
- The move from cheque to electronic transfer payments resulting in streamlining of expenditure patterns across the fortnightly period, reflecting members' greater capacity to plan financially.

- Loans are available to a maximum of \$5,000 up to a period of five years. As at June 1999, TCU had loans of \$612,000. Of all of these loans there has been only two defaults.
- Evidence that a significant proportion of loans are being accessed by women for the purpose of purchasing furniture and whitegoods (washing machines/refrigerators), thus contributing to improved lifestyle outcomes; and that loans are being repaid faster than committed to.
- Proposals to extend TCU's services to postal and insurance services.
- The establishment of clan accounts, which are supplemented by member deductions to meet the costs associated with culturally-based activities such as ceremonies and funerals.

The TCU argues that it has assisted Centrelink to make significant savings by enabling its indigenous customers to change from cheque disbursements to electronic transfers (these savings confirmed by the estimates for Area North as a whole are set out in Tables 2 and 3).

### **First Nations Credit Union**

First Nations Credit Union commenced operating in May 1999 with the opening of its first branch in Shepparton, Victoria. It is not a credit union in its own right but rather currently operates as a division of the Advantage Credit Union (ACU), which is the sixth largest credit union nationally. 'Incubating' within the ACU was selected as a safe and secure way to create a new credit union bounded by the regulations governing financial institutions. ATSIIC has approved a grant of over \$800,000 over two years towards meeting capital and operational costs. First Nation's membership is open to all Australians and is accessed by purchase of five \$2 shares. First Nations provide a full range of financial products including:

- transaction accounts;
- personal, car and home loans;
- personal overdrafts;
- Visa and ATM cards; and
- advice on budgeting, saving, borrowing and investing.

Access to First Nations is gained through:

- A 24-hour telephone and Internet banking call centre;
- ATMs and EFTPOS; and
- 2,700 GIRO Post Offices.

First Nations is aiming to extend its services Australia-wide over time.

### **International best practice**

At the Bank of Montreal we are committed to Aboriginal banking by providing improved access to financial products and services to Aboriginal communities, businesses and individuals. That spirit of partnership and cooperation between the Bank of Montreal and Aboriginal peoples has already manifested itself with the opening of 13 branches that serve Aboriginal communities (Bank of Montreal 1998).

The need to keep pace with international best practice is often touted as justifying the changes occurring in the financial services sector. This is not necessarily reflected, however, in Australia's banking sector adopting international best-practice models for delivering services to its indigenous customers. For example, the Bank of Montreal in Canada has adopted a deliberate strategy of attracting indigenous customers since 1992. This strategy has included:

- an active policy of employing indigenous people (targeted goal of 2 per cent indigenous employment—500 employees—now achieved and being lifted to 3 per cent);
- current establishment of 20 small branches in remote indigenous communities, some in partnership with Canada Post;

- the establishment of 15 separate branches, each with at least one employee who can speak the local traditional language;
- the development of a range of loan products and procedures specifically designed for indigenous communities;
- a protocol agreement on dealing with indigenous clients; and
- multi-year community grant funding provided by government being deposited in the bank and accepted by the bank as collateral for other loans.

Notwithstanding the fact that similar regulatory and technological changes are also occurring in Canada, the Bank of Montreal is making positive moves to extend its services to indigenous customers.

## Building on existing solutions

It is unlikely that small, remote or disadvantaged communities will retain access (to banking services) if it is left to competition alone to ensure it. The Committee considers that Governments have a responsibility to ensure that all communities have access to essential services including financial services...

Governments ultimately have the option to meet their responsibilities through a regulatory approach. The committee favours, at least in the first instance, an approach which encourages all players—governments, financial service providers and communities—to accept their shared responsibilities for ensuring communities maintain access to banking and like services (Commonwealth of Australia 1999a: 32).

As the HRCEFPA report highlights, there are a variety of responses that have been initiated by stakeholders in attempting to maintain and/or improve existing levels of service delivery in the face of the major structural changes occurring in the banking sector. Just as the needs of communities vary according to factors such as geographical location, socioeconomic status and cultural background, the evidence points to the need for specific community orientated solutions.

In Australia, communities are employing a range of different strategies to develop alternative financial services, ranging from entering into franchising agreements with banking institutions, establishing their own credit unions, encouraging existing credit unions to extend their services, or making use of GIRO Post. In Central Australia the barriers to improving service delivery occur at a range of levels and, for indigenous people, are also significantly linked to the method of payment used by Centrelink.

An integrated strategy is required, and must be developed, that recognises the need to tackle these problems in partnership (where possible) with the key stakeholders and to develop practical responses that are applicable in both the short and longer term. It is clear from the workshop outcomes and subsequent project research, that the mere extension of electronic banking services to indigenous people currently in receipt of Centrelink cheque disbursements will not resolve existing problems. In fact, if adopted unilaterally, the withdrawal of cheque payments could result in even more negative outcomes for indigenous people and for Centrelink.

## Conclusions, and recommendations

Technology isn't the only big issue facing bank directors. The other is what to do about loss-making or low margin clients, who make up to 60 or 70 per cent of a bank's customer base, most of whom insist on using bank branches and face-to-face transactions with tellers. Last year, Australia's big five banks spent \$2.2 billion on branches and ancillary costs of \$8.8 billion on employees. Once the most profitable 20–30 per cent of bank customers have switched to net banking (Internet banking) it will be hard to justify spending money on branches and tellers used primarily by the low-rent crowds. Do you know anyone who wants to buy four thousand former bank branches? Their dreams may be about to come true (*Australian Financial Review* April 17, 1999).

The report upon which this discussion paper is based came to a series of conclusions and made related recommendations. These recommendations have policy implications for Centrelink, DfaCS, the Department of Transport and Regional Services, and the banks. They also have service delivery implications for all these organisations as well as for indigenous community-based organisations.

The findings are relevant not only to Central Australian indigenous communities but also have important national implications. This paper therefore points to the need for further research on the issues surrounding indigenous access to financial services, including regional variations that might apply across Australia.

It is abundantly clear that the ongoing cycle of feast and famine experienced by many indigenous people is a poverty issue directly related to their reliance on welfare. That cycle is exacerbated by how their payments are delivered and their access to appropriate financial services, which, in turn, leaves indigenous people open to fraud and exploitation. This is an ongoing phenomenon documented by numerous inquiries. There is evidence, however, that where indigenous people can access appropriate financial services such problems can be ameliorated, and they can thereby gain greater economic control in their lives.

At the time of writing this paper the recommendations contained in the report remain under consideration.

## **Short-term options**

### **Findings: policy issues for Centrelink and the Department of Family and Community Services**

The study found that the extent to which indigenous people remain dependent on welfare transfers, and are able to overcome this reliance and improve their economic and social wellbeing, is inextricably linked to their ability to obtain access to essential financial services. Centrelink and the Department of Family and Community Services' (DFaCS) policy approaches to the delivery of their services need to realistically reflect factors, such as lack of access to financial services, that inhibit effective service delivery and include objectives for addressing these.

#### *Recommendation 1*

*Centrelink and DfaCS should develop a coordinated national policy approach, which identifies the most appropriate forms by which welfare entitlements can be delivered to indigenous clients and which includes specific strategies for implementing these. This policy approach must take into account the diverse geographic and cultural circumstances and differing levels of access to regulated financial services of indigenous peoples.*

*As one element of this policy approach Centrelink and DfaCS should consider providing current fortnightly cheque recipients with the option of receiving weekly payments in return for transferring to electronic credit arrangements.*

### **Findings: improved coordination of service delivery between Centrelink, the banks and bank agencies to indigenous customers in Alice Springs**

As a result of the workshop an agreement was reached between representatives of Centrelink, the banks and the bank agencies attending the workshop that they should meet monthly, on an informal basis, to discuss common issues and address solutions to the local issues raised at the workshop. This group has already met and, in consequence, there is evidence that there has been a reduction in problems associated with issues related to Proof of Identity requirements. The Commonwealth Bank has also initiated a meeting of the Territory branch of the Australian Bankers Association to address some of the issues that were identified at the workshop. This joint initiative needs to continue in order to monitor progress and address common issues.

*Recommendation 2*

*A working group should be formed in Alice Springs comprising Centrelink, ANZ, Westpac, NAB and Commonwealth banks and relevant bank agencies to develop an action plan aimed at encouraging common policy approaches to resolving problems in the delivery of services to indigenous customers. Chaired on a rotating basis, the group should monitor progress in the implementation of the plan and, in particular, the ongoing collection of relevant data. The working group would be serviced by secretariat support provided by Centrelink.*

**Findings: new approaches to delivering Centrelink payments and financial services**

The workshop outcomes and this report have both highlighted the fact that any alternative changes to the delivery of Centrelink entitlements need to be carefully considered in terms of their potentially adverse impacts on existing arrangements. For example, the Tangentjere Council has developed an elaborate system of support services for its clients over many years as a response to obstacles imposed by the current system. Any arbitrary change to this system could have the unintentional effect of placing these arrangements and their client's wellbeing in jeopardy.

Problems created by the continued utilisation of cheque payments for welfare income far outweigh the benefits and accordingly need reform. A pilot project could be designed and implemented by Centrelink, in partnership with the relevant service providers (for example Tangentjere Council and banks), to focus on selected welfare recipients currently receiving payments by cheque. This pilot project would test alternative approaches for payments, deductions and access to other relevant financial services. The pilot would need to be closely monitored and evaluated before any proposed changes are applied more broadly.

*Recommendation 3*

*A pilot project be carried out in Alice Springs with the objective of transferring existing clients in receipt of cheque payments to payments via electronic deposits, and evaluating the suitability of existing financial services provided by Centrelink and the banks. The project would involve selected welfare recipients and be designed and funded by Centrelink in partnership with relevant indigenous organisations and the banks. The results of the pilot should be independently monitored and evaluated and the implications for existing policies governing service delivery for all participating organisations should be identified.*

**Findings: consistent best-practice policy approaches to indigenous service delivery by the major banks**

The major banks need to develop a consistent, coordinated policy approach to the delivery of best-practice banking services to indigenous Australians. This policy should include measures that provide for the continued provision of safe custody services for individual passbook and electronic card account holders, particularly in remote areas such as Central Australia. The banks should also investigate and consider adopting relevant international best-practice approaches to the delivery of services to indigenous peoples. This could include (similar to the initiative by the Australian Banking Association (ABA) in the 1999 international year of older persons) the development of a specific education program aimed at informing indigenous people about how to improve their access to banking services. The project could be undertaken in the year 2000, coinciding with the culmination of the ten-year process of Aboriginal Reconciliation.

*Recommendation 4*

*Under the auspices of the ABA, the major banks should develop a joint policy approach aimed at ensuring the adoption of international best practice in the delivery of banking and financial services to indigenous Australians. This policy should include strategies that specifically address the needs of indigenous customers in remote areas.*

*Coinciding with the culmination of the Aboriginal Reconciliation process in the year 2000, the ABA should consider the development of an education campaign directed at indigenous Australians, to improve their knowledge of, and access to, banking and financial services.*

## **Longer-term options**

### **Findings: a strategic indigenous partnership with a major bank or credit union**

In July 1998, ATSIC released a discussion paper *Getting on with Business—Pursuing a Partnership with the Private Sector* which signalled an intention to use its financial leverage (possibly in conjunction with other major indigenous organisations) to secure improvements in the delivery of financial services to indigenous people. This strategy does not appear to have been substantially progressed. It is therefore timely for ATSIC to consider actively reinvigorating its strategic approach in securing a national service delivery agreement with a major bank or credit union.

#### *Recommendation 5*

*ATSIC should reinvigorate its strategic approach, in conjunction with other major indigenous organisations, to securing a partnership agreement with a major bank or credit union aimed at improving service delivery to indigenous customers. Such an agreement could include the development of financial products specifically tailored to the needs of indigenous people, protocols for service delivery, indigenous employment and training, and education strategies for indigenous clients.*

### **Findings: the provision of improved financial services to indigenous people**

The issue of access to appropriate financial services lies at the heart of removing the barriers to indigenous people participating in the cash economy. Issues surrounding cheque disbursements are merely symptomatic of indigenous people's lack of access to, knowledge of, and equitable participation in Australia's wider financial system and related market economy. It is on the basis of being able to equitably access essential financial services that people can: manage and budget their incomes; arrange to pay third parties; purchase food, goods and services; maintain a level of financial and economic independence; and plan for the future.

Changes that have occurred over the past ten years to Australia's financial system have impacted disproportionately on indigenous communities, particularly in remote areas. This is a result of both the withdrawal of bank agency services (where these were previously available), and in many indigenous communities, the cumulative negative impacts of an ongoing lack of access to financial services of any kind.

These changes have, however, also created new opportunities evident through the successful establishment of the TCU and the preparedness of government to target support for the development of alternative financial services under the Rural Transaction Centres program. Extending such services into indigenous communities has significant potential, particularly if combined with proposals to improve the delivery of Centrelink and other government services through community-based agency arrangements consistent with the establishment of Rural Transaction Centres. However, it will be crucial to ensure these centres are subject to prudential oversight, thus avoiding continuing problems with unregulated operators. Funds are available under the Rural Transactions Centres program for conducting feasibility studies that, where commercially viable, result in business plans for the provision of alternative services. Applicants can also seek support in the form of infrastructure and seed funding under the Rural Transactions Centres program.

There is currently a general lack of awareness amongst indigenous communities of the potential availability of alternative financial services. A feasibility study into the possible delivery of alternative financial services to indigenous communities in Area North Australia should be

conducted. Moreover, findings from the study should be presented to a conference of indigenous, banking, and relevant government representatives. The conference's express purpose should be to raise awareness of the impact of the lack of access to appropriate financial services on indigenous people, as well as detailing the potential opportunities for remedying these.

*A feasibility study conducted in Area North Australia would also need to focus on indigenous education and training.* A detailed business plan could estimate costs of a five-year program aimed at extending alternative financial services (possibly including those currently provided by the TCU) throughout major indigenous communities in Area North Australia. Such a plan could operate in conjunction with the Commonwealth Government's stated intention to extend agency arrangements for the delivery of Centrelink and other government services into local communities.

It should be recognised, however, that the commercial viability of such an arrangement might be problematic without ongoing government subvention. Costs could be offset by savings generated by Centrelink in changing over to electronic banking transfers and partially underwritten by provision of government services through agency arrangements operating from Rural Transaction Centres. The potential costs also need to be weighed against the clear social and economic advantages and benefits in actively progressing proposals that result in indigenous communities being able to more equitably make informed financial choices and access appropriate financial services.

#### *Recommendation 6*

*ATSIC and Centrelink, in conjunction with the Department of Transport and Regional Services, and in cooperation with Telstra should commission a feasibility study into the staged provision of Rural Transaction Centres in selected indigenous communities in Area North Australia to provide banking/financial and Centrelink services.*

#### *Recommendation 7*

*Centrelink and ATSIC, in consultation with DFACS and the Department of Transport and Regional Services, should convene a conference in Area North Australia involving major indigenous organisations, credit unions, banks, community stores and relevant service providers, with the objectives of:*

- *raising awareness of the implications of the lack of indigenous access to regulated financial services and appropriate technology, including the implications for indigenous socioeconomic development;*
- *examining national and international best-practice options in delivering alternative financial services; and*
- *considering the findings of the proposed feasibility study at Recommendation 6 above; and developing an agreed plan of action based on the outcomes and recommendations from the conference.*

#### **Note**

1. These 1999 data have been made available by Centrelink.

#### **Appendix A: Terms of reference**

- Identify the existing barriers to improving Indigenous access to banking (financial) services in Central Australia with particular reference to the payment of Centrelink entitlements by cheque.
- Identify current positive responses to overcoming these barriers and how they might be enhanced.
- Identify current short and longer-term options to overcome existing impediments to service delivery.

- Make relevant findings and recommendations, and, where relevant, identify areas for further investigation.
- The consultant will also facilitate two workshops in Alice Springs of key stakeholders. The first will focus on identifying existing barriers and potential solutions. The second will consider the consultants research findings and initial responses to the recommendations.

## **Appendix B: List of workshop participants**

<b>Name</b>	<b>Address</b>
Neil Westbury	CAEPR, ANU, Canberra
Jane Whyte	Centrelink, Alice Springs
Frank Mannix	Traditional Credit Union, Darwin
Paul Travis	Centrelink, National Support Office
Louise Hall	Economic Policy Section, ATSIC, Canberra
Kortlee Marshall	Indigenous Policy Unit, DFACS, Canberra
Stephen Goodwin	National Australia Bank, Alice Springs
Rhonda Renwick	Centrelink, Alice Springs
Michael Ryan	Commonwealth Bank, Darwin
Richard Preece	ATSIC, Alice Springs
Clarry Robinya	Chairperson, Papunya Regional Council, Papunya
Anne Prettejohn	Telstra, Alice Springs
Alison Anderson	Council Town Clerk, Papunya
Eileen Hoosan	ATSIC Regional Council, Alice Springs
Ross Loader	Anangu Wiwkiku Stores
Gail Clothier	Westpac Bank, Alice Springs
Brian Clarke	Atitjerra Store, Harts Range
Mark Walker	ATSIC, Alice Springs
Phil Maynard	Local Govt.. Assoc. of the Northern Territory, Darwin
Bill Lawrence	ANZ Bank, Alice Springs
Alistair Toshach	Northern Territory Consumer Affairs, Alice Springs
Douglas Hind	Community Branch DFACS, Canberra
Leanne Birch	Tangentjere Council, Alice Springs
Roz Barden	Tangentjere Council, Alice Springs
Mike Bowden	Tangentjere Council, Alice Springs
William Tilmouth	Tangentjere Council, Alice Springs

## **Appendix C: Summary of workshop outcomes**

The following summarises outcomes of the workshop. These outcomes are divided into two parts. The first summarises the issues raised in the morning session which sought to identify the problems/barriers to improved service delivery from the perspective of all the stakeholders represented. The second part covers the afternoon session, which sought to identify some of the short-and longer-term solutions.

### **Defining the problems/barriers to improving the service delivery of financial services**

#### **Remote community versus Alice Springs issues**

Participants identified an important distinction between remote communities and Alice Springs. The issues in Alice Springs related to indigenous people's ability to access established services whereas in remote communities the primary issues related to the lack of any established regulated financial services at the community level.

#### **Reliance on unregulated financial services**

The lack of regulated banking services in remote areas leaves indigenous people vulnerable to unregulated providers of financial services: cheques are cashed with hotels, stores, hawkers and by taxi drivers. This is also reflected in informal 'book-down' arrangements that are open to abuse by unscrupulous traders.

When Centrelink customers from remote communities visit Alice Springs they want to access their Centrelink benefit but find their cheque has been sent to their home community. When they approach Centrelink to assist this creates significant work for Centrelink in cancellation and re-issue of the cheque. It is not unusual to find that the original cheque has, in fact, already been cashed but not presented, leading to the need to initiate recovery action.

Centrelink pays many indigenous customers by cheque because of the absence of regulated banking services in remote communities. There are many operational and practical difficulties with this. For example, mail planes sometimes cannot land because of poor weather, Australia Post fails to send a mailbag on the plane, or Centrelink's cheque printing unit fails. These and other unforeseen events, happen at times and create significant cash flow problems for cheque recipients.

Some Centrelink customers regularly change the postal address for receipt of their cheques and Centrelink gets caught up in the fall out within families and between stores and hawkers who are offering unregulated 'book-down' services.

### **Potential for fraud**

There were many examples cited at the workshop that highlighted potential fraud occurring in the cashing of Centrelink welfare entitlements paid by cheque. These included examples of individuals other than the nominated recipient cashing cheques (low literacy levels can result in cheques being presented for payment with merely a cross affixed for identification purposes) and abuse of 'book-down' arrangements by unscrupulous traders. Given that people are generally resident in remote areas there is currently limited opportunity to police the activities of unregulated service providers.

### **Lack of indigenous exposure to, and experience with, financial services**

Indigenous people's historical lack of access to financial services in most remote communities has contributed to their lack of opportunities to gain the financial knowledge and expertise necessary to effectively access and utilise financial services, let alone embrace new technology.

In terms of the wider community, there is failure to fully understand the cultural imperatives that shape indigenous peoples lives and their resultant perceptions of the cash economy.

Indigenous people have a lack of access to credit because they often have limited credit records and no collateral and are therefore viewed as high risk customers by the banks.

The lack of access to culturally appropriate financial counselling and support works against the development of a savings culture.

### **Proof of identity and indemnity issues**

When indigenous customers seek to cash their cheque entitlement, banks seek written proof of identity confirmation from Centrelink whether or not they have an account. Centrelink argues this creates a considerable workload whilst the banks point to the problems of indemnity that arise when either cheques are dishonoured or are cashed by individuals other than the legal recipient.

### **Electronic banking**

Despite Centrelink customers in Alice Springs having access to banking facilities, in many cases, they still get paid by cheque. Large numbers of indigenous people still retain individual passbooks, which many leave in safe custody with the banks. Of the four banks only one offers a similar custody service for electronic card users. Coupled with their unfamiliarity with technology and low literacy and numeracy skills this ensures indigenous people remain discouraged from

moving to electronic banking. This issue is also compounded by the increases in charges being levied by the banks for maintenance and usage of individual accounts that is occurring more generally.

The mere transfer of people from cheque to direct electronic debit will not solve the problem—many indigenous people with such accounts leave their cards and pin numbers in the custody of unregulated providers, just as they now sign over their cheque under 'book-down' arrangements.

Importantly, such a transfer could threaten existing carefully developed responses aimed at ameliorating the negative impacts of the current system. For example, the Tangentjere Council has entered into arrangements with many of its members who reside in town camps in Alice Springs to have their cheque entitlements sent through the Council's post office box for depositing in their bank agency passbook accounts minus rent and power deductions. In a number of cases the Council also issues food vouchers to individuals which helps to ensure that they maintain adequate access to foodstuffs over the fortnight between entitlements. An overnight move, which resulted in their members all moving to an electronic account, could, without planning and consultation, throw these long established arrangements into chaos.

### **Feast or famine phenomena**

Participants identified the issues that arise in communities where there are no services available to save or draw down moneys over time and people cash out their cheques immediately upon receipt. This contributes to high levels of expenditure on weeks when Centrelink entitlements arrive but, conversely, to a lack of cash to purchase food and other essentials in the intervening fortnight.

This problem was also evidenced by community stores having to carry very large cash pools for advances and the associated security problems that arise. Similarly, some stores provide cash advances to individuals to tide them over, but these can be forfeited by the store when subsequent cheques are dishonoured or redirected as a result of people relocating to Alice Springs and seeking the re-issue of their cheque as a counter cheque. Some participants argued that a significant means of addressing this problem would involve Centrelink paying entitlements weekly and ceasing to pay counter cheques.

### **The operation of the banks**

Some of the identified barriers to indigenous people gaining better access to established bank services included:

- lack of an agreed code of practice/protocol for dealing with indigenous customers including on issues such as proof of identity procedures and indemnity;
- lack of consistency by the banks in offering their employees cross-cultural training;
- lack of employment of indigenous people with relevant traditional language skills in bank branches with high indigenous populations; and
- lack of educational services to assist indigenous customers both to access and confidently utilise new technology.

### **Some possible short-term and longer-term solutions**

The workshop participants discussed the following options. It was agreed that the consultant would develop possible strategies for addressing these in practical ways over the short and longer term.

### **Improved coordination between service deliveries**

Centrelink, the four major banks and the bank agencies represented and agreed to meet monthly, initially on an informal basis to discuss issues and where possible, develop agreed protocols/approaches to improve service delivery to indigenous customers.

### **Telecommunications**

Telstra offered to consider any proposals to improve telecommunications access to remoter communities seeking to access new technology for the purpose of extending financial services such as EFTPOS.

### **Tangentjere Council**

Tangentjere Council suggested that any changes to current cheque arrangements need to take into account arrangements expressly developed to meet the needs of community members and that they should be the subject of appropriate consultation and negotiation so as to not create a new set of problems.

### **Development of alternative financial services**

The workshop considered various options for the provision of alternative financial services (for example GIRO Post, Rural Transaction Centres, EBTC and smart cards) including extension of the TCU services into Central Australia; methods of testing the feasibility for the establishment of such services; and the potential advantages and disadvantages of these.

### **Policy implications for Centrelink and DFACS**

The workshop discussed options for delivering Centrelink cheque entitlements on a weekly rather than fortnightly basis, and the consequent policy responses required at a national level to address problems identified at the workshop.

## **Appendix D: Centrelink Administrative Areas**

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