

**Chasing the money story:
An evaluation of the Tangentyere Bank Pilot
Project and its relevance to Indigenous
communities in central Australia**

S. McDonnell

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Siobhan McDonnell is a visiting fellow at the Centre for Aboriginal Economic Policy Research, The Australian National University.

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Abbreviations and Acronyms

ABA	Australian Bankers' Association
ABS	Australian Bureau of Statistics
ACCC	Australian Competition and Consumer Commission
ANU	Australian National University
ATM	Automatic Teller Machine
ATSIC	Aboriginal and Torres Strait Islander Commission
ANZ	Australia and New Zealand Banking Group Ltd
CAEPR	Centre for Aboriginal Economic Policy Research
CDEP	Community Development Employment Projects
CLC	Central Land Council
DFACS	Department of Family and Community Service
DTRS	Department of Transport and Regional Services
DSS	Department of Social Security
EFTPOS	Electronic Funds Transfer at Point of Sale
GST	Goods and Services Tax
MOU	Memorandum of Understanding
PIN	Personal Identification Number
RTC	Rural Transaction Centre
TCU	Traditional Credit Union

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Executive Summary and Recommendations

A study of the Tangentyere Bank Pilot Project is important, as it is often cited as a 'best practice' model of financial service provision and financial literacy training (see McDonnell and Westbury 2002). For this reason, this report focuses on aspects of the Tangentyere project that may be applied to other Aboriginal communities in central Australia.

Banking and financial services offered by the Tangentyere Council

There are three major banking and financial services offered by the Tangentyere Council. First, the delivery of face-to-face, over the counter banking services to Westpac clients. Second, an extensive financial literacy program designed to facilitate the transition of individuals from cheque-based to electronic banking. Third, a strategy to overcome the fortnightly feast-and-famine cycle in the Tangentyere town camps. These aspects are discussed in terms of their relevance to remote Indigenous communities in central Australia.

The Tangentyere bank branch offers a range of face-to-face services for town camp clientele. As of October 2002, the Tangentyere agency had operative bank accounts for 888 customers. The financial structure of the agency means that it costs Tangentyere approximately \$190 per annum to provide services to a customer. This is not taking into account the costs that have been subsidised by Westpac, or payments from other agencies in conjunction with the trial. A number of recommendations have been put forward as ways to reduce the costs to Tangentyere Council of running the agency.

Recommendation 1

That the Tangentyere agency shift to on-line, electronic access to Westpac.

Recommendation 2

That Westpac consider giving Tangentyere staff the opportunity to work in its Todd Mall branch.

Recommendation 3

That Westpac consider initiating a program with the Tangentyere agency similar to its program in Cape York.

Recommendation 4

That the Tangentyere Council and Westpac explore the possibility of applying for funding from the Commonwealth government's community partnership scheme to underwrite their on-going relationship.

Financial literacy programs

The formal and informal surveys conducted as part of this research indicate a large number of Aboriginal people in the Alice Springs and central Australian region have very low levels of financial literacy. Accordingly, many Aboriginal people have encountered problems in moving from cheque-based to electronic banking. These difficulties include:

- understanding how to obtain a key card
- understanding how to replace lost or damaged key cards
- understanding how to obtain a new Personal Identification Number (PIN)
- 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.

This report recommends a number of steps that may be useful in dealing with these problems.

Recommendation 5

That Centrelink work in conjunction with financial institutions to develop a solution to the problem of fees incurred as a result of direct debits. One solution to this problem may be that, where it is obvious to bank staff that a large proportion of a customer's income is being spent on fees as a result of direct debits, efforts will be made to discuss with the customer strategies for them to cancel their direct debit. This solution seems to be an extension of provision 19 of the Banking Code of Practice.

Recommendation 6

That Centrelink work in conjunction with financial institutions to develop a solution to the problem of fees incurred as a result of the type of account customers operate. One approach is for banks and other financial service providers to ensure that Indigenous people on low-incomes, and especially Centrelink customers, are signed on to whichever account minimises the fees they will pay. This approach seems consistent with provision 14 of the Code of Banking Practices.

Recommendation 7

That the Australian Securities Investment Commission consider developing a strategy to deal with book-up related fraud associated with electronic banking.

In terms of a long-term strategy, the level of financial literacy a person has is the key factor in determining whether they will easily make the transition from cheque to electronic banking.

Recommendation 8

That the Department of Family and Community Services consider the roll-out of aspects of the Tangentyere financial literacy project to other communities in central Australia.

Finally, the financial literacy project has also identified that there are a number of Centrelink clients who, regardless of the financial literacy training provided, will never make the transition to electronic payments.

Recommendation 9

It is recommended that Centrelink introduce a waiver policy that recognises the insurmountable problems faced by some Centrelink clients in transferring to electronic payments.

Indigenous communities in central Australia have very limited access to banking and financial services. Most of the communities surveyed (44 communities) only have access to money via Electronic Funds Transfer at Point of Sale (EFTPOS) at the community store, local roadhouse or pastoral station store. However, in nine communities there is no access to even basic EFTPOS facilities.

Communities identified a large number of problems in accessing banking and financial services where only EFTPOS facilities are available. These problems are:

- an inability to check account balances;

- difficulties in transferring funds—this is particularly of concern as Aboriginal people often need to transfer money to relatives in other communities;
- risk of loss, or actual loss, of EFTPOS service due to damage to optic fibre networks that services are dependant on; and
- use of EFTPOS is often dependant on people buying goods from a store or roadhouse which are overpriced.

This report proposes a number of strategies to better deliver face-to-face banking and financial services to remote Indigenous communities. One strategy is the development of a regional, central Australian Rural Transaction Centre (RTC). A number of recommendations flow from this strategy.

Recommendation 10

That Tangentyere Council look to pursuing partnership with either the Traditional Credit Union or Westpac to aid in the provision of financial services as part of a central Australian Rural Transaction Centre hub.

Recommendation 11

That Tangentyere Council look to pursuing partnership with Giropost to aid in the provision of financial services as part of a central Australian Rural Transaction Centre hub.

Recommendation 12

That Tangentyere Council investigate a partnership with Centrelink to aid in the provision of financial services as part of a central Australian Rural Transaction Centre hub.

Recommendation 13

That Indigenous organisations, including the Aboriginal and Torres Strait Islander Commission and the Central Land Council, consider ways of providing financial institutions with incentives for being involved in a central Australian Rural Transaction Centre hub.

Recommendation 14

That the Department of Family and Community Services (DFACS) consider funding Tangentyere Council to provide a mobile financial literacy program for other communities in central Australia.

The cost to the Department of Family and Community Services (DFACS) in delivering a financial literacy program in central Australia should be offset against the large cost savings it has in moving people from cheque-based to electronic banking. Using an estimated cost saving of 73 cents per transaction made electronically (a conservative estimate), the current cost saving to DFACS in central Australia of making electronic payments rather than issuing a cheque is over \$1.8 million over a five-year period.

The ‘feast-and-famine cycle’

Many Indigenous families face a ‘feast-and-famine’ cycle caused by low personal incomes, distinctive cultural patterns of immediate expenditure often for a wide social network, combined with a lack of access to accumulated savings (McDonnell & Westbury 2002). Recently, DFACS has conducted a trial which uses weekly payments as a way of ameliorating some of the problems caused by the feast-and-famine cycle in remote Indigenous communities. The initial results of the trial seem positive.

Recommendation 15

It is recommended that the trial of weekly payments be expanded throughout the central Australian region. However, mechanisms must be put in place to ensure that people are not coerced into the trial by administrators who wish to reduce costs and that people do not face difficulties in switching back to fortnightly payments, should they wish to do so.

Introduction

In July 2002, the Centre for Aboriginal Economic Policy Research (CAEPR) was commissioned by the Tangentyere Council to undertake an evaluation of the Tangentyere Bank Pilot Project. This evaluation, undertaken by Siobhan McDonnell, had the following terms of reference:

1. Evaluate whether the Tangentyere Bank Pilot Project addresses the issues regarding new approaches to delivering Centrelink payments and financial services raised in Neil Westbury's report to the Aboriginal and Torres Strait Islander Commission (ATSIC) and Centrelink 'Improving Indigenous Access to the Delivery of Banking and Other Financial Services in Central Australia' (Westbury 1999).
2. Identify implications for existing policies governing service delivery for all participating and other relevant organisations.
3. Assess the Project's relevance to remote Indigenous communities.
4. Make recommendations for improving the delivery of Centrelink payments and financial services to Tangentyere Westpac Bank Agency clients.

In accordance with these terms of reference, this report is divided into three parts. Part one contains an evaluation of the various aspects of the banking and financial services provided by the Tangentyere Council, including: the delivery of face-to-face banking services, the financial literacy program, and the weekly payments trial. Part two discusses the project's relevance in remote central Australian Aboriginal communities. Finally, part three summarises the key findings of the report.

The report is written while a Federal government inquiry is under way into the provision of banking and financial services to rural and remote communities in Australia. A major aspect of this inquiry has been a discussion of the provision of banking and financial services to rural and remote Indigenous communities. The Tangentyere Bank Pilot Project is important in this regard as it is often cited as a 'best practice' model of financial service provision and financial literacy training (see McDonnell and Westbury 2002). For this reason this report will focus on aspects of the Tangentyere project that may be applied to other Aboriginal communities in central Australia.

Research Methodology

This paper is based primarily on a period of fieldwork conducted in Alice Springs and central Australia in September–October 2002. During this time interviews were conducted with a large number of key stakeholders in Alice Springs (see Appendix A) including staff of Tangentyere, ATSIC, Westpac and Centrelink. In addition, formal surveys were conducted with Aboriginal people in the Todd Mall shopping complex and outside the Tangentyere bank. A number of central Australian Aboriginal communities were also visited including Ntaria, Tjuwampa, Utopia, Docker River, and Warakurna. In these communities interviews were conducted with the president and clerks of local councils, as well as Centrelink agents, store managers, representatives from various community organisations, and Aboriginal and non-Aboriginal members of communities. For a list of people interviewed see Appendix A.

An evaluation of the Tangentyere Bank Pilot Project

Part one of this report contains an evaluation of the various aspects of the Tangentyere Bank Pilot Project including the delivery of face-to-face banking services, the financial literacy program, and the weekly payments trial.

The Tangentyere Council

The Tangentyere Council was established on 6 February 1979 to provide services to the Aboriginal population of the town camps located around Alice Springs. Accordingly, the mission statement of the Council is:

To provide sustainable services and programs, which are culturally sensitive, innovative, effective and efficient, which meet the needs and aspirations of the Alice Springs Town Camp communities, Housing Associations and others (Tangentyere Council 2001: 1).

Tangentyere Council defines itself as 'a grant-funded resource agency that is controlled by the 18 town camp housing associations of Alice Springs' (Tilmouth 2002: 1).

A statistical profile of the town camps

Understanding the profile of Tangentyere Council's clients is essential to understanding the services that the Council provides. Tangentyere clients are located in the 20 town camps in and around Alice Springs (see Appendix B).

In the 2001 Census the Indigenous population of the town camps was estimated at 975 people. However, caution must be exercised in interpreting this data. Recent work by Will Sanders (2002) suggests that there are significant procedural problems in the way the census was collected in the town camps in 2001, such that the eventual figure reached could represent a significant under-enumeration of the town camp population. In particular, emphasis was placed on the people who identified themselves the 'usual residents' of town camps, rather than the people who were actually present in the camps (Sanders 2002: 89). This presents particular difficulties for the Tangentyere Council who must provide services to people regardless of whether they are the 'usual residents' of town camps, or just 'visitors' spending an extended period of time in Alice Springs. In reality, the population of the town camps has been estimated as being as high as 1,500 people (Sanders 2002: 84).

A brief statistical profile of the town camps population, as recorded in the 2001 census, shows that 60 per cent of Indigenous people living in town camps have schooling at levels of year eight or below, with only three people having completed year 12 or equivalent education levels (ABS 2002). Such low levels of education obviously have major implications for the types of banking and financial services people will be able to access, particularly without financial literacy training.

The weekly individual income of almost all town campers (87%) was recorded at less than \$200 per week, with 13 per cent of people recording an income of less than \$120 per week. Such low income status indicates that most town campers will, depending on the fees charged by banks, represent accounts that are only marginally profitable for the mainstream banking institutions in Alice Springs. However, census data on weekly payments may not take into account periodic payments from mining, land use or national park lease-back agreements which may increase the income of town campers.

Tangentyere banking and financial services

There are three major banking and financial services offered by the Tangentyere Council. First, the delivery of face-to-face, over the counter banking services to Westpac clientele. Second, an extensive financial literacy program designed to facilitate the transition of individuals from cheque-based to electronic banking. Third, a weekly payments trial. This report will evaluate each of these aspects in turn, discussing their relevance to remote Aboriginal communities in central Australia.

The provision of face-to-face banking services at Tangentyere

One of the services that Tangentyere Council provides is face-to-face banking services to exclusively Aboriginal clientele. For 15 years a Westpac bank agency has been located on Council premises (Tilmouth 2002: 1). Historically, the bank agency has been used by

Tangentyere clients to cash cheques, operate a food voucher system and repay loans made by Tangentyere Council for blankets and tucker boxes (lockable steel boxes used to protect food from pests and theft) (Tilmouth 2002: 1).

The Tangentyere bank branch offers a range of face-to-face services for town camp clientele. The branch is open between 8.30am–12.30pm and 1.30pm–3.00pm Monday to Friday, and offers people the capacity to perform basic banking and administrative services, which consists mainly of people withdrawing money from a bank account or cheque account. Additional services include a food voucher service, whereby people can sign-on to the food voucher program as well as make payments for rent and other Council services.

The Westpac Bank account offered by Tangentyere staff to most agency customers is a 'basic' bank account. The account consists of a number of features:

- no account-keeping fees;
- no minimum monthly balance requirement; and
- six free transactions a month, including three free over-the-counter transactions.

The estimated operating costs for the Tangentyere bank agency (one component of the Tangentyere Bank Pilot Project) in the financial year 2000–01 are outlined in Table 1.

Table 1. Estimated operating costs for the Tangentyere Westpac Bank agency, 2000–01 financial year

Item	Cost
Salaries and oncosts (including payroll tax) for 1 Bank Supervisor and 3 Bank Finance Officers (2 full time and 1 part time)	\$160,146
Operational materials	\$4,000
Depreciation on 3 Computers, 3 Printers and Office Furniture and Equipment (at 33.33%)	\$4,000
Total amount	\$168,146

Source: Tangentyere Finance Officer 2001.

As at October 2002 the Tangentyere agency had operative bank accounts for 888 customers. The financial structure of the agency means that it costs Tangentyere approximately \$190 per annum to provide services to a customer. This is not taking into account the costs of in-kind contributions by Westpac (discussed below) and payments from other agencies in conjunction with the financial literacy project.

Staff salaries and wages are by far the most significant costs in operating the Tangentyere agency (as indicated by Table 1). In part this is because the over-the-counter transactions of Tangentyere customers can each take up to half-an-hour, as people organise bill-paying and food vouchers in addition to their normal banking transactions. In this way, the Tangentyere bank agency is geared towards offering essential banking and related services rather than running a commercially viable bank. Such an approach has major implications for the costs of the services that the Tangentyere agency provides.

The Tangentyere bank agency provides essential, face-to-face services for a number of clients who face significant difficulties in making the transition to electronic payments. These services are, however, provided at a significant cost to the Tangentyere Council. While staff costs within the agency are high this seems indicative of the client base the agency services, which is significantly different from the client base serviced by Westpac, and the other financial service providers, located in Todd Mall. Of the major financial institutions located in Todd Mall, Westpac has the largest number of Aboriginal clients, with approximately 70–80 per cent of its personal banking clients being Aboriginal. However, even this Aboriginal client base differs from the Tangentyere client base. For example, Westpac's Todd Mall agency has a policy of sending 'marksmen' (Aboriginal people who sign their names with a cross) to Tangentyere. Moreover, the difference in this client base has been exacerbated by the financial literacy project, which has seen the most

capable Tangentyere clients shift to electronic banking. In this context, the operation of the Tangentyere agency seems to be a cost-shifting exercise in which the Council provides, at significant cost, services to Aboriginal clients who would otherwise not meet the financial literacy requirements of either mainstream financial providers or Centrelink.

One impediment to the efficient, cost-effective, operation of the Tangentyere bank agency, and thus also the banking project, is the lack of online access to Westpac. Currently staff at Tangentyere must draw up a list of who they think will come into the branch the following day, and this list is then faxed to Westpac in Todd Mall. In the morning of the following day Westpac records the deposit received, the balance and the date of the last deposit if no payment was made that day. When customers come into the Tangentyere branch the amount they are asking for is checked off against their balance. These new balances are delivered to Todd Mall the following day. Such a procedure is both inefficient and vulnerable to fraud. Todd Mall staff are required to check the list when serving Aboriginal clients to prevent double dipping, which occurs, for example, when a withdrawal is made first at the Tangentyere agency and then at Todd Mall branch in the same day.

The efficient operation of the bank agency is dependent on on-line, electronic access to the Westpac system. In the past Westpac has stated that privacy issues are the major reason for not shifting the bank agency to on-line facilities. Key to this is concern over Westpac's system being used by non-Westpac staff. However, recently Westpac has developed a wide range of service delivery models, such as its in-store model, which are used by non-Westpac staff.

Recommendation 1

That the Tangentyere agency shift to on-line, electronic access to Westpac.

Another way Westpac may be able to meet its privacy concerns and help to facilitate the more efficient operation of the Tangentyere agency is by giving Tangentyere staff the opportunity to work at Westpac's Todd Mall branch. Such a move would allow Westpac to train staff in its privacy procedures, as well as enabling Tangentyere staff to develop the skills necessary to use the Westpac system.

Westpac may also wish to place some of its Todd Mall staff, or staff from further afield, in the Tangentyere agency for a period of time. Such a move would enable Westpac staff to gain useful cross-cultural training skills, and seems consistent with the approach by Westpac of sending seconded employees to Cape York to work.

Recommendation 2

That Westpac consider giving Tangentyere staff the opportunity to work in its Todd Mall branch.

Recommendation 3

That Westpac consider initiating a program with the Tangentyere agency similar to its program in Cape York.

Finally, on-going funding of the Tangentyere bank agency remains a key operational issue. At present funding arrangements are haphazard and uncertain. In-kind funding, such as that offered by Westpac to the Tangentyere Bank Pilot Project, is extremely beneficial as it allows organisations to forge closer ties within the same service industry. Moreover, it allows funding bodies to be more integrated in the project and its outcomes. For these reasons in-kind funding should be encouraged amongst mainstream financial service providers. One way of encouraging similar partnerships between banks and Indigenous organisations may be through the Commonwealth government's community partnership schemes.

Recommendation 4

That the Tangentyere Council and Westpac explore the possibility of applying for funding from the Commonwealth government's community partnership scheme to underwrite their on-going relationship.

The role of financial literacy programs in aiding the transition from cheque to electronic banking

Financial literacy is the difference between physical access to banking and financial services and 'informed' access to those services. A person's level of financial literacy is the key factor in determining whether they will make the transition from cheque to electronic banking effectively. The formal and informal surveys conducted as part of this research indicate a large number of Aboriginal people in the Alice Springs and central Australian region have very low levels of financial literacy. Accordingly, many Aboriginal people have encountered problems in moving from cheque-based to electronic banking.

Problems associated with electronic banking

Leaving aside problems associated with access to banking and financial services (something that is a major problem in central Australia and is discussed below), Aboriginal people in Alice Springs expressed a large number of difficulties using electronic banking services. These difficulties include:

- understanding how to obtain a key card;
- understanding how to replace lost or damaged key cards;
- understanding how to obtain a new PIN;
- securing key cards and key cards breaking;
- remembering PINs;
- using Automatic Teller Machines (ATMs);
- accessing and understanding bank balances; and
- understanding bank fees and how to minimise them.

A number of people surveyed found these difficulties so insurmountable that they decided to either maintain, or to move back to, cheque-based payments. For example, a significant number of people surveyed indicated that they did not have a key card because they found them too difficult to use, or had lost a number of them and decided to change back to a bank account. Similarly, the experience of Tangentyere, as described by William Tilmouth, is that even with financial literacy training:

...there are few people that we know of who have ordered a key card and have been unable to operate an ATM. People who have ongoing problems in this regard are advised to cancel their card and access their account over the counter at Tangentyere Council (Tilmouth 2002: 3).

This evidence indicates that for some people the shift to electronic banking may prove extremely difficult, even with financial literacy training. Policy makers must take into account that, for a small number of people and particularly those who are elderly or disabled, the difficulties of using electronic technology may be insurmountable. Thus, regardless of the level of financial literacy training provided, for a small number of Indigenous people cheque-based income support payments may have to be maintained (this point is discussed further below).

Fees charged

One of the major welfare issues associated with banking and financial services is minimising the fees that low income people are charged. Often there are additional fees associated with electronic banking, such as charges on ATMs and charges for using EFTPOS (which, in some remote communities, can be as high as \$2.50 per transaction).

There is a growing body of evidence to suggest that a large number of Aboriginal people in central Australia are not adept at minimising the fees they are charged on their accounts. This is, in part, because many Indigenous people have limited financial literacy skills.

Banks and other financial institutions have taken a number of important steps to minimise the fees charged to low income groups. Two steps that have been taken are the creation of the 'basic' bank account, which is a low-fee account that allows for a certain number of free transactions, and the signing of a Memorandum of Understanding (MOU) with Centrelink.

The MOU between Centrelink, the Australian Bankers' Association, the Credit Union Services Corporation and other key agencies, is a Code of Operation which details how financial institutions will deal with debt recovery procedures associated with Centrelink direct credit payments (i.e. electronic payments) to Centrelink clients. The aim of the Code is 'to ensure that social security recipients have sufficient income to maintain adequate living standards' (Centrelink 1999: 4). Elsewhere the Code states that:

A major aim of the legislation governing the direct crediting of social security payments is to ensure that all payments made under it are available for the recipients' use before other claims on the payment are considered (Centrelink 1999:6).

Accordingly, the Code contains an assurance to Centrelink customers that a maximum of 10 per cent of customers' income will be used to cover bank related debts. The Code thus includes:

An assurance to Centrelink customers that, usually, they will be able to draw on at least 90 per cent of their payments in any fortnightly period even though their account may be overdrawn (Centrelink 2002: 2).

In spite of initiatives such as the MOU, significant numbers of Indigenous people on low incomes are paying a large proportion of their income on bank fees. Evidence suggests that some Aboriginal people are incurring fees by placing a direct debit on an account, and then having insufficient funds to meet this debt. This practice incurs very large fees, between \$25 and \$35 per debit transaction, which are taken directly out of customers' accounts. It is unclear why this type of debt recovery is not subject to Centrelink's MOU.

Given that direct debit payments have been linked so extensively to electronic banking, it is arguable that a large number of low-income Aboriginal people in central Australia may be paying a larger proportion of their income in fees than would previously have been the case with cheque-based banking. Thus it may be that there are welfare trade-offs in shifting people from cheque-based to electronic based banking. As the major instigator of the shift from cheque-based to electronic banking, the DFACS and its agency Centrelink must ensure that any detriments to Indigenous people from this shift are minimised.

Recommendation 5

That Centrelink work in conjunction with financial institutions to develop a solution to the problem of fees incurred as a result of direct debits. One solution to this problem may be that, where it is obvious to bank staff that a large proportion of a customer's income is being spent on fees as a result of direct debits, efforts will be made to discuss with the customer strategies for them to cancel their direct debit. This solution seems to be an extension of provision 19 of the Banking Code of Practice.

Another reason that Indigenous customers may be paying a large proportion of their income in fees is the type of account they are operating. For example, the Australia and New Zealand (ANZ) Bank recently acknowledged that it had been charging a direct debit fee to customers on the basis that accounts were overdrawn, when the accounts had no overdraft facility (ABC Online September 2002; *Centralian Advocate*, 'ANZ fee bungle hits communities', 11 October 2002). While the ANZ argued that this practice represented a 'technical error' it demonstrates the importance of the type of account to the amount of fees low income customers may be charged. Given that the 'basic' bank account has been

established by the ABA for the purpose of providing a low-fee account, steps could be taken to assist low income customers to sign on to this account.

Recommendation 6.

That Centrelink work in conjunction with financial institutions to develop a solution to the problem of fees incurred as a result of the type of account customers operate. One approach is for banks and other financial service providers to ensure that Indigenous people on low-incomes, and especially Centrelink customers, are signed on to whichever account minimises the fees they will pay. This approach seems consistent with provision 14 of the Code of Banking Practices.

Benefits associated with electronic banking

In spite of the problems encountered with electronic banking there are a large number of benefits for Aboriginal people in changing from cheque-based to electronic banking. At a community level, electronic banking can make the administration of income support and Community Development Employment Projects (CDEP) payments easier and, when linked with Centrepay, can result in a guaranteed income stream for communities in that payments for rents and other utilities are automatically deducted. In particular, a number of remote community councils identified significant administrative costs savings from no longer having to process wages. Costs associated with wage processing included the administrative costs of cheque processing, the insurance needed to cover the transporting of cash to communities, and fraud-related costs. These costs can be significant. For example, Peter Ryan, the director of the Tjuwampa Resource Agency estimates that the administrative costs of processing the wages of 310 CDEP employees to be about \$25,000–\$30,000 per annum (pers. comm. Peter Ryan 2002). Further, there are stress-related costs to council or agency staff who are responsible for cash payments as people may spend days ‘humbugging’ staff in an attempt to get their payments earlier (pers. Comm. Peter Ryan 2002). The costs associated with processing wages at a community level is probably the reason why most communities have now shifted to electronic-based, weekly CDEP payments.

At an individual level, for most people the major benefit identified with electronic over cheque-based payments is that it allows people to be mobile, provided that banking infrastructure is widespread. The Aboriginal and Torres Strait Islander population of remote Australia is highly mobile (Taylor 2002). This high population mobility, particularly around important ceremonial times, has made receiving cheque-based income support payments difficult, in that mailing cheques requires a fixed address. For example, a large number of Aboriginal people in the central Australian region travel often between Alice Springs and remote communities, spending large amounts of time in each of these places. In the past, being required to stipulate an address has resulted in people either travelling large distances at great expense to pick-up cheques, or missing their payments and being dependant on family for large periods of time. This pattern of dependence, in turn, creates more stress as income support payments are stretched to provide for even more people. William Tilmouth notes that:

Electronic banking has the potential to greatly benefit Aboriginal people in central Australia who often travel long distances for medical, legal, cultural and social reasons and can become stranded without access to their Centrelink cheque which is sent to their home address. Such dislocation places considerable stress on the town Camp communities in Alice Springs and often leads to social behaviour problems which impact upon the wider Alice Springs community (Tilmouth 2002: 1).

Following on from this point, Tilmouth describes the ideal banking technology in central Australia as one where ‘the movement of [financial] resources could be as fluid as the movement of people themselves’ (Tilmouth 2002:1). While electronic banking is obviously a component of this, there is also a need to maintain some face-to-face services so that people can be provided with assistance if a payment problem arises.

Electronic banking and book-up

The mobility benefits of electronic banking can only be maintained if people are not adversely affected by book-up arrangements. Anecdotal evidence suggests that the practice of keeping key cards and PINs as ‘collateral’ in book-up arrangements is reasonably widespread (McDonnell & Martin 2002: 11; Renouf 2002: 14). Under such an arrangement cards are kept with car dealers, art dealers, store managers and publicans, who are then able to deduct amounts from a person’s account once money, often in the form of an income support payment, is credited. In addition to these deductions for the amount owed, an additional fee will often be charged for providing book-up services (for a typical fee schedule see McDonnell & Martin 2002: 11).

Evidence of book-up arrangements with key cards and PINs indicates that the change to electronic banking may not have impacted on the practice of book-up in a significant way. This finding is also borne out by continuing book-up arrangements in areas where mainstream financial services are available, such as Alice Springs and Katherine.

Aboriginal people who continue to participate in book-up arrangements even when mainstream financial services are available, often do so as a matter of choice. There are a number of benefits associated with book-up. For example:

By leaving their key cards with the storekeeper, Aboriginal people can avoid the all-pervasive ‘humbugging’ for cash from relations, particularly on those days when wages and pensions are deposited into accounts (McDonnell & Martin 2002: 12).

In addition, many people have access to credit using book-up that they otherwise would not have. This facility becomes particularly essential in the few days before an income support payment is due, when there is no other cash available to buy food.

While there may be benefits associated with book-up, there is a major disadvantage to Aboriginal people in offering collateral in the form of a key card and PIN, rather than a cheque. When book-up is cheque-based the maximum amount that a credit provider has access to is the amount of the cheque. By contrast, when book-up is electronic-based, a credit provider has access to whatever payments go into an account. Thus irregular payments, such as payments from mining or land use agreements or payments made to artists for the sale of a painting, are able to be accessed. In remote communities in central Australia there are instances of artists’ key cards and PINs being held by an art dealer or gallery. Such relationships are open to exploitation, and the amount of money that could be lost in fraudulent transactions is, in some cases, much greater than would be the case with cheques. This aspect of electronic based book-up is of concern, and probably falls outside the scope of current regulation in this area, such as the Consumer Credit Code and Electronic Funds Transfer Code.

Recommendation 7

That the Australian Securities Investment Commission consider developing a strategy to deal with book-up related fraud associated with electronic banking.

Financial literacy training at Tangentyere

The Tangentyere Bank Pilot Project provides important lessons in relation to both financial literacy programs and the transition from cheque-based to electronic banking. The large number of banking service providers in Alice Springs, including specialised services such as those located at Tangentyere, means that access to banking services is not the acute problem that it is throughout much of central Australia. However, in Alice Springs it is important to differentiate between physical access to services and ‘informed’ access to services. Informed access means people have the financial literacy to use the services to which they have physical access. The Tangentyere Bank Pilot Project was unique in this respect as it involved a process of not only helping people to transfer to electronic banking but also of building their capacity to use electronic banking technology (such as the ATM).

History of the Tangentyere Bank Pilot Project

Following the Westbury Report (Westbury 1999), in 2000 the Tangentyere Council, together with Centrelink, DFACS, and Westpac, decided to conduct a 12-month pilot project to aid Tangentyere clients in the transition from cheque-based to electronic-based banking. William Tilmouth, the Chief Executive Officer of Tangentyere, explains:

The Bank Pilot Project is [designed] to assist indigenous people in their ability to use electronic transfers. Essentially, the project is to assist Centrelink recipients to make the changeover of their entitlements from cheque deposits to electronic credit transfer. Aboriginal people have long been accustomed to receiving their entitlements by cheque. In order to keep up-to-date with innovations created by technology it was decided by the [Tangentyere] Executive that a process to facilitate the introduction of electronic transfers be achieved. This process enables people to access ATMs with their key cards and simultaneously educate them regarding the importance of memorisation and confidentiality of PIN numbers ... Once they are confident they can use their cards outside of Tangentyere. This enables people to learn in a comfortable environment where three language speakers are available for assistance (Tangentyere Council 2001: 12).

In addition to transferring people to electronic banking, the project was also designed to help people open bank accounts and sign on to a food voucher program.

Operational features of the project

The financial literacy training conducted by Tangentyere consisted of a 15-month training program, run by four Aboriginal bank liaison officers. These officers conducted a series of face-to-face workshops using a set of materials designed to meet the needs of illiterate people. Specifically, the materials consisted of large illustrated comic book style panels that were accompanied by an oral presentation and a video. Using these materials, bank customers were taught how to use an ATM and a key card. They were also warned not to give their PIN number to anyone else or to leave their key cards and PIN with storeholders or taxi drivers. Aboriginal bank liaison officers also provided an essential 'proof of identity' service. A lack of the necessary identification can sometimes create problems for Indigenous people in accessing banking services. The Tangentyere bank agency deals with these problems by employing bank staff from the town camps where most bank clients reside.

Project funding

Funding from the project came from a number of sources. The ATM operated by the project was provided free of charge by Westpac. Westpac also waived the usual transaction fees charged to ATM providers (this combined amount is estimated at approximately \$40,000 per annum).

Other funding for the project came from DFACS, which allocated approximately \$110,000, and Centrelink, which provided \$10,000 and the fee for a consultant. Finally, ATSIC has provided some funding towards evaluation of the project. This funding was provided on a one-off basis.

In addition to these funding sources, Tangentyere Council estimates that it contributed \$11,000 on the Tangentyere Bank Pilot Project in the 2000–01 financial year. Half this money was used to fund structural changes to the bank, and the other half was spent on operational materials (pers. comm. P. McDonald).

Overall project evaluation

At the end of August 2002 when the Tangentyere Bank Pilot Project concluded, the bank agency had approximately 888 clients, of whom 740 had bank accounts opened by Aboriginal bank liaison officers. Of the 740 accounts opened, 481 customers (approximately 65 per cent) now use key cards. These results are also replicated in Centrelink's data for the period of the financial literacy project. Centrelink data as at October 2002 shows that, during the course of the Tangentyere Bank Pilot Project, the

number of Centrelink customers at Tangentyere receiving their payments by direct debit, or electronic banking, increased from 44 to 59 per cent (see Table 2). In terms of absolute numbers of people this represents an increase of 886 people, which is roughly approximate to the results given by Tangentyere. These results indicate that the project has assisted a number of people in shifting from cheque-based to electronic banking.

Table 2. Centrelink data for Tangentyere payment types, 2000–02

Year	Payments delivered	Cheque	Direct debit	Delivered by cheque (%)	Delivered by direct debit (%)
2000	2,579	1,443	1,136	56	44
2001	3,101	1,534	1,567	50	50
2002	3,455	1,433	2,022	41	59

Source: Centrelink Alice Springs, October 2002.

Results from the project must be interpreted relative to the costs of operating the project. The operating costs detailed above indicate that, for its 15-month period of operation, the project cost \$131,000. Interpreted in the context of the numbers of people who changed to bank accounts, this costing is approximately \$177 per person. However, this cost must be interpreted in light of the savings made to DFACS in shifting people onto electronic banking (discussed below).

While the Tangentyere Bank Pilot Project may have been successful in transferring people to electronic banking this is a separate issue from whether it has improved peoples' welfare. In situations where people are paying more in bank fees than they were when receiving cheque payments, or are caught in key card related book-up, it is arguable that they may be worse off. People's welfare is more likely to be improved by the shift to electronic banking where they have an 'informed' understanding of how to use banking technology.

Centrelink, as the instigator of the shift from cheque to electronic-based banking, has responsibility for ensuring that people who have been shifted onto electronic banking have an 'informed' understanding of how to use electronic banking technology. In particular this means how to use a key card and ATM, what a PIN is, and how to get a replacement key card and PIN. Results from the Tangentyere Bank Pilot Project also seem to indicate that people do not have significant problems with losing cards or forgetting their PINs. This indicates that the training conducted by the project has been successful, in that Tangentyere customers have overcome many of the problems associated with electronic banking identified above. This project thus represents an example of capacity building, by providing people with the financial literacy training to facilitate their informed access to financial services. As such, the training provided by Tangentyere bank liaison officers, and the material developed in the course of the project, may be applicable to other Indigenous communities (this point is discussed below). It is for this reason that extending aspects of the project to other central Australian communities should be considered.

Recommendation 8

That DFACS consider the roll-out of aspects of the Tangentyere financial literacy project to other communities in central Australia.

Finally, the financial literacy project has also identified that there are a number of Indigenous people who, regardless of the financial literacy training provided, will never make the transition to electronic payments. In particular, the elderly and people with problems with their eyesight and other disabilities seem to have insurmountable barriers to accessing electronic technology. Therefore it should be recognised that cheque-based payments need to be maintained for some Indigenous people. The Tangentyere Council is attempting to fill the current gap in service delivery by providing, at substantial cost to the Council, a bank agency to meet the needs of this customer base. While this may work for Tangentyere customers, similar problems are being faced by a number of Indigenous

people who are facing a widening gap between their needs and capabilities, and the capabilities assumed by banking and financial services providers. DFACS, as the instigator of the shift from cheque-based to electronic banking, has responsibility for ensuring that equitable services are provided to clients who wish to continue receiving payments by cheque. For a more detailed discussion of the United States Treasury policy in this area, see McDonnell and Westbury (2002).

Recommendation 9

It is recommended that Centrelink introduce a waiver policy that recognises the insurmountable problems faced by some Centrelink clients in transferring to electronic payments.

The Tangentyere weekly payments trial

Many Indigenous people face a 'feast-and-famine' cycle caused by low personal incomes, distinct cultural patterns of immediate expenditure often for a wide social network, combined with a lack of access to savings (McDonnell & Westbury 2002). The 'feast-and-famine' cycle creates a number of problems at individual, family and community levels. At an individual level some people spend their income support payment soon after they receive it and are then left without financial resources until the next payment. In some cases families without access to money go without food, creating problems of child malnutrition (Taylor & Westbury 2000).

Funded by DFACS, the weekly payments trial commenced in September 2001 and finished in March 2003. The trial was designed to break the 'feast-and-famine' cycle by splitting payments into weekly, rather than fortnightly, allocations as currently occurs for most payments. DFACS states that the weekly payments trial was initiated to:

Facilitate active economic participation by Indigenous Centrelink customers in commerce, financial planning for the future, and asset accumulation as well as capitalising (sic) on the potential cost savings to centrelink in moving Indigenous clients from cheque payments to electronic banking (DFACS 2002: 2).

The cost saving to DFACS has been considerable (as discussed below) and seems to more than compensate for the small additional cost incurred in making two, rather than one, electronic payment a fortnight.

The impact of the weekly payments trial on the 'feast –and famine' cycle has been examined in a cursory study conducted by DFACS. This study suggests that weekly payments may aid people in managing their money. In particular the study highlights the following benefits:

- The weekly payments trial has had a significant impact on reducing the number of people who went without food. Only 9 per cent of people reported that they went without food while on the trial, a decrease from 88 per cent pre-trial.
- Weekly payments have also had a positive impact on people's eating patterns (particularly when combined with nutrition accounts), '81 per cent [of participants] reported a change in their budgeting practices which resulted in them either buying more food or buying food more often' (DFACS 2002: 8).

The study concludes by stating that 'Weekly payments reduce the amount of money available to buy alcohol in one sitting, thus reducing potential intake amongst Indigenous customers who binge drink and can be viewed as a harm minimisation strategy' (DFACS 2002: 8). These are significant benefits that seem to justify the expansion of the trial to other central Australian communities. Before such an expansion takes place, however, problems identified with the trial must be addressed.

Results from the trial must also be interpreted in the context of the small number of Centrelink clients who actually took part in the trial. While 208 people were participating in the trial when it began in July 2002, only 147 people were on the trial as of March

2003. In addition, participation in the trial was restricted to people who received certain types of income support payments, with a large number of payment types excluded. It may be that the results of the initial evaluation are biased towards people who felt that they most benefited from the trial, and thus were prepared to stay on it.

Centrelink has also experienced a number of difficulties in putting weekly payments in place, many of which are linked to the computer package in operation. Difficulties with the operation of this computer package have also meant that people whose circumstances changed, so that they were no longer eligible for the trial or no longer wished to receive weekly payments were unable, at a later date, to have their weekly payments reinstated. In practice, this has meant that only a small number of people who started on the trial have remained on it.

One of the reasons stated by people choosing to exit the trial and return to fortnightly payments was that weekly payments were 'rubbish money'. A small number of young men who were interviewed said that on the larger fortnightly payments four or five of them could 'chuck-in' and buy a car, whereas their consumer choices were seriously limited when they received the smaller weekly payments, even when multiplied by four or five people. It is for this reason that it is important that people participate voluntarily in any program of weekly payments and are able to return to fortnightly payments at any time. Provided that this condition can be met, an expansion of the weekly payments trial should take place.

Relevance to remote Indigenous communities

The provision of face-to-face banking services in Indigenous communities in central Australia

Given the number of people using electronic banking in central Australia, it is important to recognise that Indigenous communities in central Australia have very limited access to banking and financial services. A recent survey conducted by the Northern Territory Government details the low level of banking and financial services available in Aboriginal communities. Of the 76 communities surveyed, 23 had access within a reasonable distance to services that consisted of more than EFTPOS facilities, with 11 of these communities being serviced by the Traditional Credit Union (TCU).

In terms of distribution, the overwhelming majority of communities with banking facilities that consisted of more than EFTPOS services are located in the 'Top End' of the Northern Territory. Only one of the 24 central Australian communities surveyed had access to this level of services. This evidence suggests a serious lack of face-to-face banking and financial services for much of the remote Indigenous population of central Australia. Moreover, where these services are available it is because the community is located next to a major tourist destination where bank services are provided as tourism infrastructure, as with the Mutitjulu community near the Yulara resort at Uluru.

At present there are no TCU branches in central Australia, although the TCU has expressed a keen interest in servicing central Australian communities (pers. comm. Barbara Bradshaw and Bev McMillan 2003).

Most of the communities surveyed (44 communities) have access to money via EFTPOS at the community store, local roadhouse or pastoral station store. However, nine communities are without access to even EFTPOS facilities, despite the fact that a large number of income support and wage payments in these communities are made electronically. People who are paid electronically but have no means of accessing their money within their community are then forced to travel often large distances, sometimes at great personal expense.

Communities identified a large number of problems in accessing banking and financial services where only EFTPOS facilities are available. These problems were:

- an inability to check account balances;
- difficulties in transferring funds—this is particularly of concern as Aboriginal people often need to transfer money to relatives in other communities;
- risk of loss, or actual loss, of EFTPOS service due to damage to optic fibre networks that services are dependant upon; and
- use of EFTPOS dependant on buying overpriced goods from a store or roadhouse. This is a problem where stores or road houses engage in monopoly pricing of goods.

The Northern Territory government survey demonstrates that in some communities, and particularly communities in central Australia, there is a critical lack of access to banking and financial services.

The RTC Program

Recognition of the problems caused by a lack of access to credit within rural and remote communities has led to the establishment, by the Federal government, of the RTC Program. Funded from the partial sale of Telstra, the \$70 million RTC Program is designed to provide funds to help small rural communities (with a population of less than 3,000 people) establish centres to provide access to basic banking, postal, Medicare claims, phone, fax and internet services (Department of Transport and Regional Services (DTRS) 2002). Under the program it is envisaged that banking services provided by RTCs will include personal banking, some elements of business banking, ATMs and Giropost (DTRS 2002).

The RTC program has been used by a number of remote Indigenous communities to improve their access to services. As at April 2003 there were a total of 151 communities that have been approved for RTC funding, of which seven are located in Indigenous communities (Davies 2003). Moreover, a further 30 communities have been provided with business plan funding to determine the feasibility of an RTC and assess the kinds of services a community needs delivered (Davies 2003).

RTCs are operational in three of the seven Indigenous communities that have been granted RTC funding. These communities are Oenpelli, Maningrida, and Numbulwar, all in the Northern Territory. The remaining four RTCs, which are yet to become operational, are located at Wadeye (expected early May), Point Pearce (South Australia), Gununa (Queensland) and Lake Tyers (Victoria) (Davies 2003). In addition to RTCs specifically located in remote Indigenous communities, there are a number of other RTCs which provide services to communities with significantly large Indigenous populations, such as Halls Creek (Western Australia).

The total government outlay on developing RTCs in Indigenous communities was approximately \$2.3 million, as at May 2002.

Regional RTCs

In addition to the establishment of RTCs in specific Indigenous communities, regional RTCs have been proposed as a way of meeting the banking and financial services needs of remote central Australian communities. Currently regional RTCs have been mooted in Indigenous communities in Cape York (sponsored by Balkanu, with business planning support from Westpac); Torres Strait; Central Australia (to be sponsored by Central Remote Regional Council, Tangentyere Council and the CLC); and the Anangu Pitjantjatjara lands (Davies 2003).

The development of a regional RTC in central Australia was first proposed by William Tilmouth. Tilmouth argued that such a program would help provide banking and financial services thereby ensuring 'the separation of financial services from stores to prevent the rorts and give people the capacity to develop financial literacy and also to save' (Tilmouth 2002).

Regional RTCs would operate using a hub-and-spokes model. Under this model, RTCs would be located in some of the larger communities in central Australia, where they can

service other smaller communities in that region. These regional RTCs would also be linked to a service centre in Alice Springs. Given Tangentyere's history of service delivery to Aboriginal people, it is possible that the service centre hub could be located at Tangentyere. However, Tangentyere does not have the capacity to operate as a major financial services provider. Therefore before any RTC hub could be located at Tangentyere, it would need to enter into a partnership with a financial services provider.

Westpac and the TCU are two possible options for a financial services partner in a hub-and-spokes model operated out of Tangentyere. Westpac and Tangentyere have an ongoing partnership in the delivery of banking services to residents of town camps. Moreover, Westpac has recently demonstrated an interest in providing financial services to Indigenous communities in Cape York, and has been linked to a Cape York regional RTC. The TCU is another potential partner. It is currently the financial services provider in four RTCs that service remote Indigenous communities. While none of these RTCs have been located in central Australia, the TCU's experience, and interest, in providing these services make it a potential partner in the provision of similar services in central Australia.

Recommendation 10

That Tangentyere look to pursuing partnership with either the TCU or Westpac to aid in the provision of financial services as part of a central Australian RTC hub.

An RTC partnership with Giropost

Another model for providing banking and financial services to remote communities is Giropost. Giropost operates in conjunction with a number of major banks, including the Commonwealth Bank and National Australia Bank, as well credit unions, to provide banking and financial services in 2,900 communities throughout Australia. The major advantage of Giropost is that it involves face-to-face service provision. However, the types of transactions that can be performed are limited. In addition, Giropost has generally operated out of existing post offices. Few remote Indigenous communities have a post office, so the ability of Indigenous people located in remote areas to access Giropost services seems limited. Recently, however, the RTC Program has made encouraging steps towards facilitating the location of Giropost services in RTCs in remote Indigenous communities.

Recommendation 11

That Tangentyere look to pursuing partnership with Giropost to aid in the provision of financial services as part of a central Australian RTC hub.

Partnerships with Centrelink

Centrelink is another potential partner in an expansion of banking services to central Australian communities.

The DFACS policy of shifting income support recipients to electronic payment has meant that Centrelink agents located in remote communities have become de facto bank agents. The on-the-ground implications of electronic banking is that remote Centrelink agents spend a large amount of time assisting people to open bank accounts, organising with banks to replace lost, stolen or broken key cards and helping with the re-issuing of PINs. These tasks can be extremely time consuming, particularly when large numbers of people in a community have all been to electronic payments at the same time. For example, the Town Clerk at Areyonga reported that the day after Centrelink agents moved the whole population of Areyonga to electronic banking, she processed forms for 17 replacement key cards because cards had been lost or damaged (pers. comm. Shirley Davis). Moreover, she was faced with the situation of trying to work out how to make welfare payments to an increasing number of people when they no longer had key cards.

Many of these difficulties could be dealt with by changes to banks service delivery methodology (see Appendix C), and by attaching financial literacy training to the roll-out of electronic payments to communities.

Given that Centrelink agents in remote communities operate, in part, as de facto bank agents, another option available to Centrelink is to formalise this arrangement. Such a formal arrangement could operate in a similar way to the Giropost scheme, where postal agents provide a basic set of banking services to bank and credit union clients. A more formal arrangement between Centrelink and the banks could have a number of benefits.

The experience of the Tangentyere Council highlights that there are a number of benefits to co-locating Centrelink and bank services. First, sharing of information, such as providing identification for a customer, can help to facilitate the provision of services. Similarly, problems with payments are more easily dealt with when services are co-located.

Thus, while a number of privacy considerations would need to be considered, there would be a number of benefits for Indigenous customers in co-locating Centrelink and bank services.

Second, banks could significantly increase their coverage in the central Australian region by linking with Centrelink agencies. A substantial number of remote communities in central Australia have Centrelink agents. Table 3 shows that there are 24 Centrelink agents located in the larger remote communities in central Australia. These agents work an average of 18.5 hours per week. Tapping into this network would mean that banks or the TCU could provide, in a cost-effective manner, a range of basic banking services to otherwise under-served communities. Similarly, the proposed central Australian RTC should consider co-locating with Centrelink agents.

Table 3. Location of Centrelink agents in central Australia 2002–03

Location of Centrelink agents	Number of hours employed per week
Ali Curung/Warrabri	20
Amata/Tjurma	25
Anyinginyi Congress/ Tennant Creek	30
Apatula/Finke	15
Areyonga/Utju	15
Docker River/Kaltukatjara	15
Ernabella/Pukatja	25
Fregon/Kaltjiti	20
Gurungu/Elliott	20
Haast Bluff/Ikuntji	10
Hermannsburg/Ntaria	10
Indulkana/Iwantja	15
Kintore/Walungurru	20
Mimili	15
Mt Liebig/Amundurrungu	15
Mutijulu	20
Nyirripi	15
Papunya/Warumpi	15
Santa Teresa/Ltyente Apurte	20
Tjuwampa	15
Utopia/Urapuntja	20

Warakurna/Giles	15
Warburton	20
Yuendumu	30

Source: Centrelink, Alice Springs office, 2002.

Recommendation 12

That Tangentyere Council investigate a partnership with Centrelink to aid in the provision of financial services as part of a central Australian RTC hub.

Partnerships with other Indigenous organisations

ATSIC's Central Remote Regional Council and the CLC have also agreed to be involved in the development of a regional RTC in central Australia. This involvement is important as Indigenous organisations have a lead role to play in improving Indigenous access to banking and financial services. Indigenous organisations, such as ATSIC and the CLC, hold some of the largest bank accounts in Alice Springs. It may be that these organisations can offer some additional incentive structures for financial institutions interested in becoming involved in central Australian RTCs, by linking their accounts to better service provision to Indigenous people in remote communities.

Recommendation 13

That Indigenous organisations, including ATSIC and the CLC, consider ways of providing financial institutions with incentives for being involved in a central Australian RTC hub.

The role of financial literacy programs in aiding the transition from cheque to electronic banking in Indigenous communities in central Australia

Until recently a large proportion of the Indigenous population, and particularly the population located in rural and remote areas, have been dependant on cheques as a means of receiving their income support payments. Work by Westbury shows that in 1999, 38 per cent of all cheque-based income support recipients in Australia were located in Centrelink's Area North region, which comprised the Northern Territory, the Kimberley, Ngaanyatjarra regions of Western Australia and the Anangu Pitjantjatjara lands of South Australia (Westbury 1999: 7). Within this region, 90 per cent of cheque-based income support recipients in 1999 were Indigenous (Westbury 1999: 7). Thus in 1999 a large proportion of Indigenous income support recipients in the Area North region were dependant on cheque-based payments.

The regional cost savings to DFACS in changing people to electronic banking

DFACS has made large cost savings from moving people from cheque-based to electronic banking. While it is difficult to estimate how large these savings are, some estimates have been made. In 1999 Centrelink estimated the cost of issuing a cheque as \$0.75, compared to \$0.02 for making an electronic transaction (Westbury 1999: 7). Westbury estimated that the amount saved by the DFACS throughout Australia in shifting cheque-based income support recipients onto electronic payments was, in 1999, \$21,144 per fortnight, or \$2.7 million over five years (Westbury 1999: 9).

A large number of Indigenous people living in the central Australian region have made the transition from cheque-based to electronic payments. It is estimated that across the central Australian region approximately 50 per cent of all Indigenous Centrelink clients are now using electronic banking (see Table 4). However, there is a large amount of regional variation. In small communities, such as Mutitjulu and Areyonga, Centrelink has made a concerted effort to move people onto electronic banking, resulting in 100 per cent of people using key cards. Similarly, rates of electronic banking are approximately 90 per

cent of the population in and around Tennant Creek (the North East Tennant Region) but as low as 20 per cent in the Western Australian communities around Warakurna and Warburton. This regional variation is possibly due to regional differences in levels of education, and also the number of people who, prior to the shift to electronic based payments, had a bank account.

Table 4. Indigenous people with bank accounts in remote communities, central Australia, by Centrelink region, May 2002

Centrelink region	NW	W	SW	SE	WA	SA	NE	Tennant SE	Tennant NE	Total
Total	1,176	1,710	608	687	938	1,513	1,318	1,337	193	9,480
Payments with bank accounts	623	903	346	412	185	895	373	723	174	4,654
Payments with bank accounts (per cent)	53.0	53.0	57.0	60.0	20.0	59.0	28.0	54.0	90.0	50.0

Source: Centrelink Alice Springs, October 2002.

Centrelink data for the central Australian region, including Alice Springs, shows that as at May 2002 the total number of clients receiving electronic payments within central Australia was 19,023. Using Westbury's estimate of a cost saving of \$0.73 per transaction made electronically, the current cost saving to DFACS in central Australia of making electronic payments rather than issuing a cheque is \$13,887 per fortnight and \$361,056 per annum. Over a five-year period this cost saving amounts to over \$1.8 million. This estimate is significantly higher than Westbury's 1999 estimate of \$1 million over five years for the same area, because in the intervening three years the number of people changing to electronic payments has increased dramatically, and thus the savings to the DFACS have also increased (Westbury 1999: 7).

While the costs savings detailed above are significant, the cost of issuing cheques is only a small part of the costs associated with cheque-based payments. More significant than the cost of issuing cheques are the costs of transporting cheques, particularly in remote areas of Australia. Cheques are air freighted to remote communities in central Australia. On the occasions when there is a delay in cheques being issued, and the normal postal service is missed, Centrelink must charter its own plane to deliver cheques, at an estimated cost of \$20 per cheque (pers. comm. Scott Peters 2002). Even though this only happens rarely, it would dramatically increase the cost structure associated with transporting cheques to remote Australia. In addition to transport costs, there are also administrative costs associated with cheques, such as those created when customers seek to redirect their entitlements (Westbury 1999: 10).

Adding the costs of administering and transporting cheques to remote areas of central Australia, to the cost of cheque production relative to electronic payments (\$0.73), a more reasonable estimate of the cost savings of electronic to cheque-based banking is probably several times that of issuing a cheque. The government could use these savings to build the financial literacy of Indigenous people in central Australia.

Expanding the Tangentyere Bank Pilot Project to other central Australian communities

A large number of Indigenous people living in the central Australian region have made the transition from cheque-based to electronic banking. Such a transition is not without problems. Thus the Tangentyere Bank Pilot Project is relevant to remote Indigenous communities in central Australia because it may provide lessons about how problems associated with electronic banking can be overcome.

In terms of expanding the Bank Pilot Project to other central Australian communities, DFACS may wish to consider funding Tangentyere Council to provide a mobile training service that provides training on the basics skills of electronic banking. Such a program would utilise the already existing skills and materials developed as part of Tangentyere's financial literacy project. This type of training should be made available to all communities in central Australia, but may be particularly effective in the small communities where Centrelink is attempting to change whole communities to electronic payments. In such instances a mobile financial literacy team could be trained to sign people to bank accounts, as well as provide general electronic banking skills.

Recommendation 14

That DFACS consider funding Tangentyere Council to provide a mobile financial literacy program for communities in central Australia.

Weekly payments for Indigenous communities in central Australia

Problems associated with the 'feast-and-famine' cycle of income support payments are even more acute in remote communities than in the town camps in Alice Springs. Problems caused by 'feast-and-famine' cycles in Aboriginal communities are further exacerbated by the lack of complete coverage of income support payments for people who, often for administrative reasons, are not receiving payments for long periods of time (Sanders 1999). Without payments to rely on, people often become dependant on their families for support (for discussion of this problem see Tilmouth 2002). A situation is created whereby a small number of adults who are receiving income support payments are supporting a large number of other adults and children. Communities that are already considered low-income are further impoverished as a result of people being unable to access their basic entitlements.

The initial results of the weekly payments trial conducted at Tangentyere indicate that it may be useful in overcoming the 'feast-and-famine' cycle in remote Indigenous communities. Moreover, it is important to recognise that in a large number of communities in central Australia there are currently weekly payments of CDEP wages. The main reason for this is that it is often easier, administratively, for communities to manage electronic payments on a weekly basis rather than cheques on a fortnightly basis. However, many individuals on CDEP also find it advantageous to be paid on a weekly basis.

Recommendation 15

It is recommended that the trial of weekly payments be expanded throughout the central Australian region. However, mechanisms must be put in place to ensure that people are not coerced into the trial by administrators who wish to reduce costs and that people do not face difficulties in switching back to fortnightly payments, should they wish to do so.

Key findings

Improving Indigenous people's access to banking and financial services must involve cooperation between Indigenous organisations, the financial services sector, and governments. To this end the recommendations detailed in this report are directed at three key service delivery agencies: Westpac Bank, the Tangentyere Council and DFACS. In addition to these recommendations a number of key findings have been made in this report that impact on the way financial services and financial literacy training should be delivered to Indigenous people in Alice Springs, and central Australia more generally. These findings are:

- The Tangentyere Bank agency provides essential, face-to-face services for a number of clients who face significant difficulties in making the transition to electronic based payments. However, the operation of the Tangentyere agency seems to be a cost-shifting exercise in which the Council provides, at significant cost, services to

Aboriginal clients who would otherwise not meet the financial literacy requirements of either mainstream financial providers or DFACS.

- Financial literacy is the difference between physical access to banking and financial services and 'informed' access to those services. The level of financial literacy a person has is the key factor in determining whether they will be able to easily make the transition from cheque to electronic banking. The formal and informal surveys conducted as part of this research indicate a large number of Aboriginal people in the Alice Springs and central Australian region have very low levels of financial literacy. Accordingly, many Aboriginal people have encountered problems in moving from cheque-based to electronic banking.
- The Tangentyere Bank Pilot Project provides important lessons in relation to both financial literacy programs and the transition from cheque-based to electronic banking. While the Tangentyere Bank Pilot Project may have been successful in transferring people to electronic banking this is a separate issue from whether it has improved people's welfare. In situations where people are paying more in bank fees than they were when receiving cheque payments, or are caught in key card related book-up, it is possible that they may be worse off after a change to electronic banking.
- Indigenous people's welfare is more likely to be improved by the shift to electronic banking where they have an 'informed' understanding of how to use banking technology. As the instigator of the shift from cheque to electronic banking, DFACS should ensure that people who have been shifted to electronic banking have an 'informed' understanding of how to use electronic banking technology. In particular this means how to use a key card and ATM, what a PIN is, and how to get a replacement key card and PIN. Results from the Tangentyere Bank Pilot Project seem to indicate that people do not have significant problems with losing cards or forgetting their PINs. This indicates that the training conducted by the project has been successful, in that Tangentyere customers have overcome many of the problems associated with electronic banking, identified above. This project thus represents an example of capacity building by providing people with the financial literacy training to facilitate their informed access to financial services.
- The financial literacy project also identified that there are a number of Indigenous people who, regardless of the financial literacy training provided, will never make the transition to electronic payments. It should be recognised that cheque-based payments need to be maintained for some Indigenous people.
- Indigenous communities in central Australia have very limited access to banking and financial services. A regional RTC has been proposed as a way of meeting the banking and financial services needs of remote central Australian communities. A regional RTC would operate using a hub-and-spokes model. Given Tangentyere's history of service delivery to Aboriginal people, it is possible that the service centre hub could be located at Tangentyere. However, Tangentyere does not have the capacity to operate as a major financial services provider. Thus before any RTC hub could be located at Tangentyere, it would need to enter into a partnership with a financial services provider. Other partnerships should be considered with Centrelink, Giropost and other key Indigenous organisations in the development of a central Australian RTC.
- DFACS has made large cost savings from moving people from cheque-based to electronic based banking. It is estimated that across the central Australian region approximately 50 per cent of all Indigenous Centrelink clients are now using electronic banking. Using Westbury's estimate, the current cost saving to DFACS in central Australia of electronic rather than cheque payments is \$13,887 per fortnight and \$361,056 per annum. Over a five-year period this cost saving amounts to over \$1.8 million.

Appendix A. Interviews conducted for the evaluation of the Tangentyere Bank Pilot Project

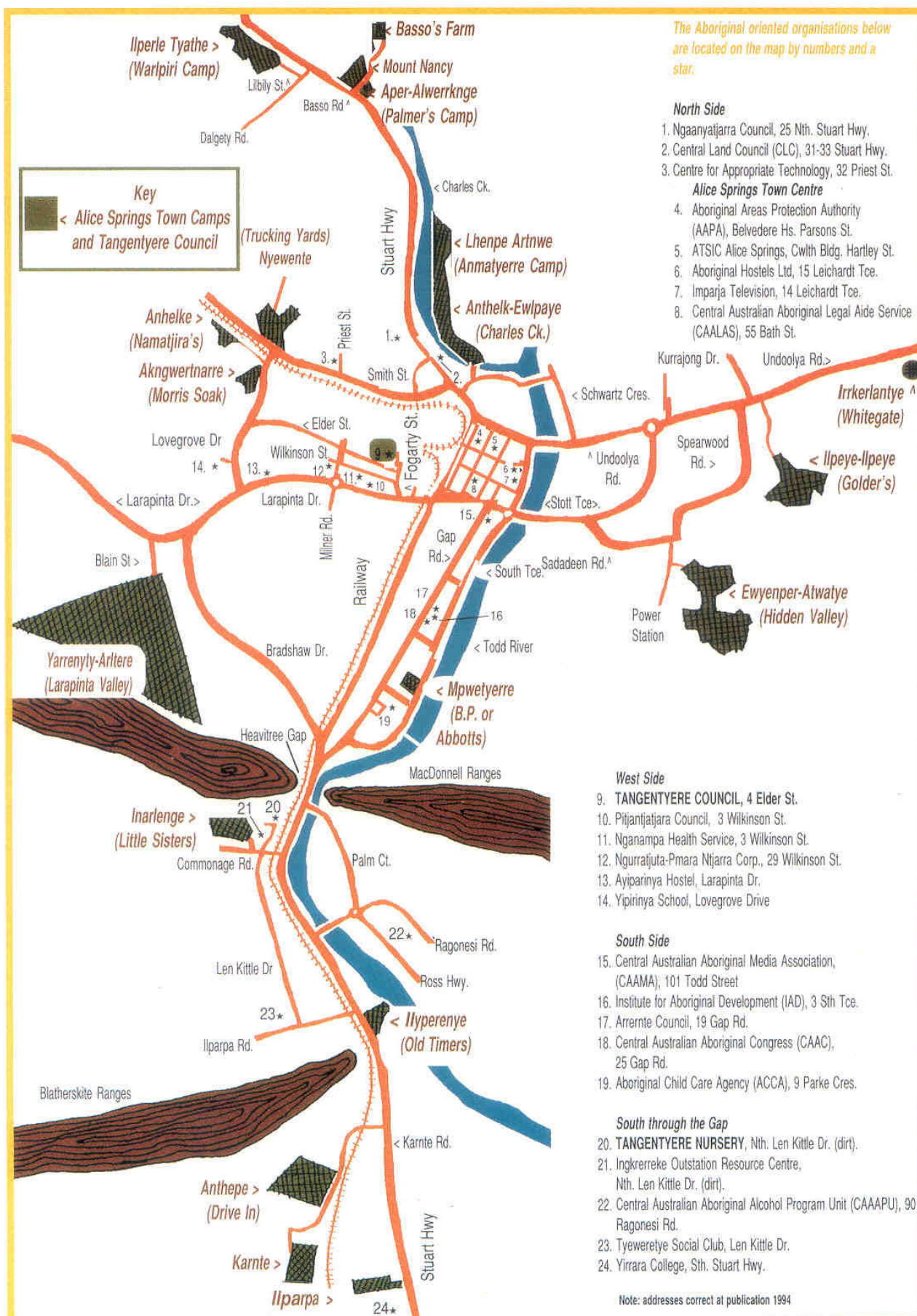
Name and Organisation	Position
Tangentyere Council	
William Tilmouth	Executive Director
Geoff Shaw	Tangentyere Executive
Patrick MacDonald	Head of the Finance Department
Tracey Nightingale	Bank branch employee
Leanne Birch	Bank branch employee
Julie Whittaker	Former Bank liaison officer
Leigh Skacklady	Financial counselling officer
ATSIC Central Australia	ATSIC central Australia Commissioner
Alison Anderson	Senior Manager
Rhonda Lodes	
Centrelink Alice Springs	
Greg Clatworthy	Manager Alice Springs
Susan Payne	Manager Centrelink Tangentyere branch
Scott Peters	Remote Service Co-ordinator
Katrina Zander	Centrepay account manager
RTC Program	
Paul Davies	Director of the RTC Program
Westpac	
Graham Paterson	Head of Regional Community Partnerships
Debbie Bray	Branch Manager Alice Springs
ANZ	
Paul Hewitt	Branch Manager
Commonwealth Bank	
Dennis Beasley	Branch Manager
Tjuwampa Outstations Resource Agency	
Peter Ryan	Director
Ntaria Council	
Gus Williams	President of Ntaria Council
Ntaria Westpac bank agency	
Charlie Fletcher	Store Manager
Areyonga Council	
Shirley Davis	Town Clerk
Utopia Community	
Michael Little	Central Land Council
Utopia store	
Rick Haley	Store Manager
Umbladderwatj Council	
John Willis	Town Clerk
Docker River Council	
Bronwyn King	Acting Town Clerk
Margaret Opie	Council Bookkeeper and Centrelink officer
Docker River store	
Richard Bugg	Store Manager
Centrelink at Warakurna	
Lisa Wellby	Centrelink officer
Warakurna store	
Gary West	Store Manager
Nganampa Health	
David Busttil	Accountant

Appendix A. Interviews conducted for the evaluation of the Tangentyere Bank Pilot Project continued

Name and Organisation	Position
Angelina Cox	Centre for Appropriate Technology
Warren Snowden	Federal Member for Linguari
Karen Aucote	Deloittes Alice Springs
Kevin Rolfe	Retired financial officer at Tangentyere
Bruce Walker	Centre for Appropriate Technology
Lys Ford	Batchelor Institute
Catherine Gilney	Batchelor Institute (Utopia)

In addition to these interviews, a number of formal and informal interviews were conducted anonymously with Indigenous people at Tangentyere, Todd Mall and communities in central Australia.

Appendix B. A map of the Tangentyere town camps



Appendix C. Operational issues for financial service providers

DRAFT

Delivery of financial services to Indigenous customers in rural and remote Australia: Some operational issues for banks and other financial service providers

Introduction

This discussion paper addresses some of the problems in the delivery of financial services to Indigenous individuals and organisations, and in particular those located in rural and remote areas. Many of the problems identified here are experienced by low income customers, or customers in remote areas of Australia. Others, however, are problems specific to Indigenous customers. This paper is particularly aimed at those banks and other financial institutions that service Indigenous individuals and organisations in rural and remote areas of Australia.

The purpose of this paper is to:

- encourage higher financial service standards;
- enhance understanding and respect between financial service providers and their staff, and Indigenous people; and
- raise awareness about some of the problems currently faced by Indigenous people and organisations when accessing financial services.

Framework principles

There are two framework principles central to this paper:

- The recognition that financial services are essential services.
- The recognition that many Indigenous customers are disadvantaged when dealing with banks and other financial service providers because they have limited English language and financial literacy skills. Many Indigenous people are also low-income earners and have health problems and other disabilities.

These framework principles have implications for the way financial services should be provided to Indigenous people. In addition, it is recognised that similar principles have been endorsed by banks in the Code of Banking Practices. This paper discusses these principles with respect to Indigenous customers.

Opening an account

Centrelink's decision to transfer income support recipients from cheque-based to electronic banking has meant that a large number of Indigenous people in rural and remote areas are now opening bank accounts for the first time. This process can be difficult for remote customers when bank branches are not easily accessible.

A possible solution to this problem, already in place for some remote Indigenous customers, is the provision for opening bank accounts by fax and for sending key cards and PINs by mail.

Fees charged

There is evidence to suggest that many Indigenous people have limited financial literacy skills. For this reason many Indigenous people find it difficult to minimise the fees that they are charged on bank accounts. Banks and other financial institutions have taken a number of important steps to minimise the fees charged to low income groups, such as creating the 'basic' bank account. Another example is the MOU with Centrelink guaranteeing that Centrelink clients would pay no more than 10 per cent of their income

in bank related debts. However, there are concerns that a significant number of Indigenous people on low incomes may still be paying a large proportion of their income on bank fees.

One possible approach is for banks and other financial service providers to ensure that Indigenous people on low incomes, and in particular Centrelink clients, are signed on to 'basic' bank accounts, or whichever account minimises the fees they will pay. This approach seems consistent with provision 14 of the Code of Banking Practices.

Another approach that could be helpful is that, where appropriate, internal procedures are put in place to systematise and streamline the commitments made under the MOU signed with Centrelink.

Direct debit deductions

Anecdotal evidence suggests that some Indigenous people are losing a significant amount of income through fees charged as a result of direct debits that are placed on accounts which have insufficient funds to cover the debit.

A possible solution to this problem is that, where it is obvious to bank staff that a large proportion of a customer's income is being spent on fees as a result of direct debits, efforts should be made to discuss with the customer whether they wish the financial institution to take steps to cancel their direct debit. This solution seems to be an extension of provision 19 of the Banking Code of Practice.

Accessing bank balances

In most remote Indigenous communities EFTPOS facilities are the only point of access to financial services. Bank balances are not available using EFTPOS. This can create problems as Indigenous customers who are unsure of their balances may complete a number of transactions for decreasing amounts of money, each of which incurs a fee. Technology that shows customers the bank account balance would help solve this problem.

Banks may consider introducing financial services technology into remote Indigenous communities that enables customers to check their bank balance. Such technology is currently available in a number of forms.

Dispensing cash

Cultural practices impact on the way many Indigenous people use money. For example, it is often expected that Indigenous people will share assets including money with their relations. When cash is dispensed over the counter and in ATMs in large denominations (e.g \$50 and \$100 notes) this can cause stress for Indigenous people who are trying to fulfil their cultural obligations, as it is not easily shared among large numbers of people.

Banks and other financial institutions may wish to help Indigenous customers fulfil their cultural obligations more easily by stocking ATMs, and dispensing cash over the counter, in small denominations (\$10 and \$20 notes)

Call centres

Indigenous customers may be disadvantaged when dealing with banks and other financial service providers because they have limited English language and financial literacy skills. Many Indigenous people are also low-income earners, and have health problems and other disabilities.

These disadvantages may affect Indigenous peoples' willingness to voice complaints about services provided, or their ability to utilise usual complaints mechanisms.

Call centres are the first point of contact for many Indigenous customers located in remote Australia. Limited English language and financial literacy skills also impact on many Indigenous customer's ability to communicate with call centre workers. This creates problems as call centres are often used to facilitate the delivery of a number of banking and financial service products, or to report faults with those products. Provision could be made for dealing with Indigenous customers who have English as a second, third or fourth language. In addition, it may be that the local regional centre will be best placed to deal with remote customer's concerns. Banks may wish to put procedures in place so that customers can be redirected to their nearest branch in a timely way.

Reviewing the document

This document will be reviewed bi-annually by the Steering Committee of Reconciliation Australia's Banking and Financial Services portfolio area. Banks, financial service providers, Indigenous organisations and individuals are all invited to make submissions to this Committee. The Committee can be contacted at: inquiries@reconciliation.org.au.

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