

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Melbourne — 6 December 2012

Members

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Mr R. Johanson, Chairman (sworn),
Mr C. Brady, Head of Community Strengthening (sworn), and
Mr R. Jenkins, Executive, Customer and Community (sworn), Bendigo & Adelaide Bank.

The CHAIR — Gentlemen, welcome to the public hearing of the joint party Economic Development and Infrastructure Committee’s Inquiry into local economic development initiatives in Victoria. The evidence that you give at this hearing today is protected by parliamentary privilege but comments made outside the hearing are not afforded the same privilege. Could you state your full names again, your positions and whether you are appearing on behalf of an organisation.

Mr JOHANSON — I am Robert Niven Johanson. I am Chairman of Bendigo & Adelaide Bank. That is why I am here.

The CHAIR — That is a good reason.

Mr BRADY — I am Collin Russell Brady. I am Head of Community Strengthening at the Bendigo & Adelaide Bank, and I am here for the same reason.

Mr JENKINS — I am Russell Peter Jenkins, Executive of Customer and Community at the Bendigo & Adelaide Bank.

The CHAIR — Thank you very much. Can I invite you to make an oral presentation.

Mr JOHANSON — Thanks for the opportunity of doing this. We have some slides. The structure is that I will talk just a bit about the bank; Russell is going to talk about some community bank business we have and a couple of initiatives out of community banks that have occurred; and Col is going to bring that to some sort of conclusion and talk about some other things. We will try to do this quickly so that you have plenty of chance to quiz us, but feel free to interrupt on the way through.

Overheads shown.

Mr JOHANSON — As I think you are aware, Bendigo Bank, being the retail brand of Bendigo & Adelaide Bank, is long established. In fact, we are the second-oldest deposit-taking institution in the country. Westpac is older but we are next. We were formed out of the community in Bendigo not very many years after Europeans first arrived. They were people who were living in tents and they wanted houses, so they joined together and pooled their resources to build houses for each other.

The CHAIR — Is that what they called it at the time?

Mr JOHANSON — It was a building society.

The CHAIR — Bendigo?

Mr JOHANSON — It was Bendigo building society. It was a terminating society, so the first lot were that group of people and it was to be wound up when everybody got a house. So it was wound up and then they started another one. Then they decided this was a good idea, so it became a permanent building society, and really that entity is the entity that is now Bendigo & Adelaide Bank. What is now Bendigo & Adelaide Bank is in some ways an aggregation — I can count over 30 in the last 20 years — of separate organisations that have come together, many of which share that common thread. It is a thread of people who have been shut out of or disenfranchised by institutional or business structures at the time — there was no such thing as a housing bank around in the 19th century — but, by pooling their economic resources, they have therefore become much more capable and have generated their own value, in a sense, which has fed back into the community.

On lots of measures we are now the fifth biggest retail bank in the country. We have over 500 branches across Australia and roughly 300 of them are branches that are run in partnership or effectively as a franchise model where the distribution is owned by local communities. I think in each of your electorates there are examples of that, so I am sure you are all aware of it.

Mr FOLEY — And we are eternally grateful.

Mr JOHANSON — On the scale of the business, now we have almost \$60 billion of assets across the country, we employ about 6500 staff and we have about 1.5 million customers. Roughly half of each of those measures is in Victoria, so in Victoria we employ about 3000 people, of whom a bit over 1000 are in Bendigo, but we are sort of scattered through the State. Out of that business, in particular out of the community bank

business, over the past 10 or 12 years those businesses have generated surpluses which have been reinvested back into their communities in ways that those local groups have decided is the best way to do it. Of that, \$50 million has gone back into Victoria. Of course, as we will show in examples, that itself then gets leveraged and used for other things. But in lots of places they are in some ways the most significant providers of investment capital into social activities and enterprises. In some places they basically have more money than a council to do some of these things, so there are very significant local economic activities that are going on.

On regional Victoria, there are some numbers on that slide that just reflect what I said: we have over half a million customers in regional Victoria; we bank about a third of the population in regional Victoria. There is over \$100 million. With that amount going back into the community through wages and other things, obviously we are a significant contributor to activity in lots of places across the State.

My little story at the start about where we came from I constantly replay — and I am not the only one who does it — so that we are all reminded of what we are, which is an organisation that has come out of local need and it is the prosperity of the customers that will lead to our prosperity. If we can help them and facilitate that, then we will do very well. If those communities have a greater capacity to do stuff, then that will feed back.

I was interested in the conversation I just overheard about broadband. About 15 years ago we could not get adequate fibre for our business in Bendigo. We could not get anyone to provide it for us. What we did was team up with local businesses to increase our buying capacity. At the time we had a telephone spend — I cannot remember — of \$3 million or \$4 million. We doubled it by aggregating with council and some local businesses and things. Then we took it out for tender and said, ‘So here is a buying group. Who will provide some fibre?’, and we got fibre laid in and around Bendigo, so that was local initiative. We absolutely needed it but we were not going to have it done if we had just waited. It was going to be a real impediment to the development of our business.

Out of that was spawned a local telephone company, Bendigo Community Telco, which itself has now been replicated and spread out to other places, so the bank and other people buy through that local telco. We get great service out of that, local people get great service out of that and our business is enhanced considerably as a result of us having the capacity not just to use someone else’s network but to have our own network. The development of that has been a significant contributor to the capacity of the bank. It is a nice little example of how local economic initiatives, if they are organised and coordinated, can actually provide lots of both direct and indirect benefits, which then can turn back into benefits for the provider and the organisers. There are lots of stories like that that we could tell. That is enough from me.

Mr JENKINS — I am going to talk to community banking in a minute, but I will make just an interesting aside. Just listening to Robert talk about the benefits of running your own business — when Telstra had the issues down in Warrnambool last week and they went down there they had lost their networks, of course. Because we run our own separate telco and we had broadband communications through those structures, we were able to keep a live service down into that community when most if not all of our competitors in that market could no longer transact.

The CHAIR — That would have been handy.

Mr JENKINS — So there are many advantages to ownership and control. If you talk about ownership and control, I think the community bank model is a great example of that. There are direct parallels with what Robert talked about. In the very early days — in 1858 — of our business in Bendigo, local individuals got together to form a local institution, which, if you like, exactly mirrors the start of the community bank model back in 1998. We saw that need, and we had any number of potential partners and communities coming to us from across the country, and particularly Victoria, and looking to us to replace services they saw themselves losing. There was that loss of control as over 2000 bank branches had closed in that previous eight-year period.

We reflected on where we had come from historically and how we could mirror those structures to get that extra level of buy-in, and that is when we came up with the community bank model, which in its simplest form is nothing more than a franchise where local community gets together. But that is the twist in the tail: instead of one or two local business people or whoever owning that local franchise, by getting hundreds of local people, the businesses or whoever to buy in as shareholders — I believe you are familiar with the structure, but I will just repeat it — it becomes their business. They get their own structure; they share in the incomes.

One great advantage of this model, we believe, as Robert has pointed out, is that we are a sizeable institution in anyone's terms. In the State of Victoria, if you look at our branch networks and whatever, we are getting to the point of rivalling the major banks in what we have out there in terms of structures. So the customers get access to that — all the service, the protection of the brand and all that comes with being a bank in this market — but at the same time they then run their own local company. That is one of the key points in terms of what a community bank is, because each of these communities, as you know, raises in today's terms in the order of \$800 000 or so to establish that locally-based business. It is pretty rare nowadays for local communities to get together to form public companies, but that is what they are doing under this model. By doing that they get access to what I have described.

Another one of the keys — and this is in the material we provided you with — is that we are absolutely insistent that having created the model it remains a community-owned and community-driven model. So, yes, they are creating profits and, yes, a percentage of those profits goes back to the shareholders once they get to the point where they can afford it, but we cap that at 20 per cent. So that shareholder return is still a nice return, but it is all community-based — the returns are then going back into the communities.

The other thing I should note is that in by far the majority of cases we have locally-based volunteers on the boards. So it is really about the community benefit that flows from the structures.

We kicked it off in 1998. I think we always knew that it could be successful, but even we were stunned at the success. To put it in perspective: when we launched the first community bank back in 1998, we had been around since 1858 and we had 74 branches across the country. In the ensuing 14 years or whatever it was, we have launched 299 community bank branches and we are just about to launch our 300th. That gives you a feel for the impact, as do all the other numbers we will now put to you. Of those 299 community bank branches, 135 of them are in Victoria. They have raised \$68 million in share capital to get these things up and running, and \$12 billion in business footings. These are big numbers.

But ultimately where we are going in terms of this inquiry is the impact that all that leads to at the local level. One of the great benefits of having those locally-owned businesses is you have a locally-owned board which knows what is going on in its community. So these sorts of projects are not determined by Bendigo Bank; they are determined by that locally-based board. One example is the Anglesea fire station and the local community bank. They have done a series of projects down there, including a dementia wing on the local hospital. In this case they saw the need to redevelop the fire station — so \$100 000 went straight from the Winchelsea Anglesea Community Bank branch. They then led a community fundraiser that raised \$300 000 or \$400 000. They then came to the State Government and you guys put in \$1.3 million.

I guess the great beauty of that is that you know it is a locally-based project that the locals want to the point that they get out and energise their local community to make these things happen. We are seeing this story repeated time and time again, particularly across Victoria, which is the strongest part of our network. Col, maybe you want to give one or two more examples and then talk about the strength — —

Mr SHAW — Is there a formula for the funding? The CFA building that you did, the fire station redevelopment, is it a percentage of the overall development? Or does the board just say, 'Hey, listen, this is a great project' or whatever somebody wants?

Mr BRADY — Generally what occurs is that we sit down with local government, state government and federal government to first of all work through the funding guidelines and it is then a matter of looking at how much the project is going to cost. It is then a matter of saying, 'How do we actually use community contributions, funding programs, to come up with whatever the cost of the project is?' So in this case it was \$1.3 million. I would suggest in this particular case that the limit of the state funding program would have been \$1.3 million, so the community had to find the rest with local government; there is not a set formula, if you like. There are certain limitations to government funding in terms of how much, but every case is different and rolls out in a different way.

Mr JOHANSON — In some of the health funds we had higher multiples than that, but that is because there are different funding mechanisms out there.

Mr SHAW — Okay. Thank you.

Mr BRADY — My job as Head of Community Strengthening is to work with the community bank boards on the ground around their community aspirations. It is a pretty good job because we actually get out and about and talk to many people who have absolute aspirations for the future of their communities. Winchelsea Anglesea is one example of that. It is a board that has attached a dementia unit to the local hospital; it is a board that has bought a medical facility so they can attract GPs to ensure the future health and wellbeing of their communities as well. Community development and community leadership is alive and well out there in metropolitan and rural Australia.

Interestingly the fire station development came on the back of the Black Saturday bushfires; our network responded immediately. We developed a joint funding arrangement with the State Government around the bushfire recovery program. I think that is an example of two things. One is the capacity of communities to collectively organise in these sorts of situations around opportunity and also emergency, but also the value of those partnerships that we have had with state government in the past.

I am going to whip through these. I will make a point about how the southern community hydro pool came about, and, Geoff, it gets to your point about how some of this occurs. In the bayside region of Melbourne we have coordinated what we call a community forum or a whole-of-government forum. We invite the state, local and federal government funding bodies together to look at what the priorities are in those areas so we can facilitate, if you like, the match funding that occurs. It is a little bit more by choice and organised as opposed to being by chance. It is a role that we play; we chair the meetings as a bank, and it allows our community bank boards to have direct access to local, state and federal government to ensure that there is coordination around funding efforts and outcomes.

A very recent example is on the Mornington Peninsula. There is a group of people on the Mornington Peninsula who meet. We have foundations now involved in that same discussion, which is all around economic and community development for the Mornington Peninsula region. We have a number of community banks down that way. Individually they do their own patch very, very well. This is now starting to look more regionally. What are some of those regional and economic development issues that we can do collaboratively?

One which we are very proud of is the Hurstbridge–Diamond Creek Community Bank board. They have five community bank sites, I think, Russ?

Mr JENKINS — Yes.

Mr BRADY — Five at the last count. They recently opened the Diamond Creek stadium. That is a project in excess of \$10 million and is an example of how most government funding requires a community dollar to be on the table, which is absolutely appropriate because community has skin in the game. It provides an opportunity to leverage other funding. As you can see in this particular case, local government, state government and federal government are supporting a project that will stand for many generations to come. Once again it is an example of our network's capacity and willingness to partner around projects that have a wider social and economic benefit.

That brings me to the next piece. This is hot off the press — recognising that we have a network now that is investing heavily into community projects. Many communities are challenged by how they actually use funds to achieve the best outcome for their community. The model was conceived around generating a stronger and more prosperous village, and part of that is having a very strong economic base. The bank has been working at recognising the need for the development of tools and approaches to assist in the determination of priority setting.

We have worked with Deloitte Access Economics to come up with a framework that measures the economic outcomes from community contributions and also the social and environmental outcomes. We think it is a first for Australia and it has been embraced by our network. It allows them to take the next step beyond community development and into economic development. I will just give you a bit of an overview about how it works and then we might move on to the questions, if that is okay.

The CHAIR — Sure.

Mr BRADY — This is about developing a framework and tools to measure across the triple bottom line — social, economic and environment — and assist boards to look at how they actually allocate their hard-earned capital. It is not to replace their own community intuition and knowledge but to complement it.

This is the Diamond Creek stadium as contained on the community strengthening index. So on the left-hand side you have the name of the project. There is an economic impact estimate. You will see a heading there. Underneath that, it is \$2-plus for every dollar they have put in. So it gives them a bit of an idea about how their dollar actually starts to create a downstream impact. Some of those measures were around retained capital — so, whether you use local trades and facilities as part of that project and how many people are actually going to use the project. It is a very robust model.

Mr JENKINS — And not our measures. This is why we worked it up with Deloitte — to give it the independence and the credibility in terms of the multiplier.

Mr JOHANSON — And these multipliers change with different sorts of projects. The health project will have a higher multiplier because of the continuing employment that — —

The CHAIR — Quality of life.

Mr JOHANSON — All sorts of different multiplier consequences.

Mr BRADY — So if we look at Diamond Creek, there is a community bank. Over a 12-month period in terms of their community investments — a little over \$1 million worth of investments — we have an economic outcome beyond \$2.1 million. What that allows the board to do is really start to look at the economic prosperity of their place and then provide funding and support around those particular economic imperatives. We thought this would be of interest to the parliamentary inquiry because what we are really doing here is putting information into the hands of the locals again. We honestly think that a strength of a community is contained in an engaged set of citizens and a coordinated approach.

What we also provide, if you like, is revenue streams that are ongoing so they are not constrained by short-term planning. Sustainable revenue streams allow people to plan for the very long term. We think that is also critically important, given that many programs run for 12 months or 3 years. We think that is no way to actually build a community; we need to take a longer-term view,

Mr JENKINS — And Collin — sorry to interrupt — when we talk revenue streams we are talking significant revenue streams. Even at Rupanyup and Minyip — two tiny little towns with less than 1000 people total — there was over \$100 000 a year going back into community projects in those communities from the community bank. People doing nothing with the banking were doing — through a locally-owned venture — seven-figure sums we just heard, and we are now getting more and more seven-figure-type sums coming from some of our community bank programs.

Mr JOHANSON — And what this lets them do is think about, ‘We have three projects. Which one do we pick?’ One of the reasons for picking one might be its long-term economic impact.

Mr FOLEY — And not only justify it to themselves but justify it to their community.

Mr JOHANSON — That is right.

Mr BRADY — That is right.

Mr JENKINS — And owned by the community.

Mr FOLEY — Even more importantly.

Mr JENKINS — Yes.

Mr JOHANSON — And because it comes out of that sort of initiative — local capital, all those things — then it is likely to have a longer-term buy-in rather than someone saying, ‘We need something or other; give it to us’, and then they want another one or want something else.

The CHAIR — Or somebody else did not want it.

Mr JOHANSON — Yes, that is right. It has to be longer-term. You have to think about it as investment and returns on investment rather than just collecting stuff.

Mr SHAW — Those figures that you do — those sorts of funding figures and the community benefit and all that — are those shared with council and other governments, or do they go and duplicate that and do their own?

Mr JOHANSON — We have just been working this out for ourselves.

The CHAIR — Brand new.

Mr JOHANSON — And we will talk about this with our own network. This stuff you might have seen.

Mr FOLEY — Last week.

Mr JOHANSON — Yes. In Treasury they tried to do — —

Mr FOLEY — Regional development.

Mr JOHANSON — Someone commissioned someone to work out the impact of the GFC emergency stuff that happened in Canberra. I think they thought it did not have much impact at all beyond the spending. I do not think Treasury accepted the numbers, but this sort of multiplier thing is a very contentious idea. It is an ideologically contentious thing too — about the impact of government spending on recurrent and persistent local activity. Did it really help us recover from the GFC that we have a bunch of school halls out there? These are things that are done on a much more local basis rather than that broad macro stuff. I think you can be more confident about local impacts where the impacts are counted in measurable activities, measurable wages — you know, some of those sorts of things. What was the place in Tasmania I went to? Geeveston or somewhere or other.

Mr JENKINS — Geeveston.

Mr JOHANSON — Because there is now a doctor in a set of rooms and a bit of local trauma care, possibly, in a set of rooms provided by the community bank in concert with the council, that means that there is recurrent activity in that place that otherwise was being exported to Hobart. You can measure that.

The CHAIR — And there is the confidence and pride in the local community as well.

Mr JOHANSON — A lot of the stuff that has happened out of community banks has been investment, if you like, in social capital, and efforts in real direct economic activity have been not so prominent, but my story about broadband in Bendigo is one where there was clearly direct economic benefit because there was a capacity to do things as a result of Bendigo getting broadband before other places. What we are trying to do is to get people to think longer-term and think about different sorts of projects that really are economically generative.

Mr FOLEY — Robert, you indicated that this was in many ways a challenging of the sort of ideological model of how businesses and communities partner. There is a bit of a broader debate that this inquiry has kind of pointed us to where there is an increasing notion of shared value from what corporations are involved with. Moving beyond corporate social responsibility — which is essentially an add-on that you have to do for your reputational opportunities — this is really about corporations partnering with communities, and corporations cannot really deal with communities if there is an exploitative relationship between them. The health of that community, the training of that community — of their market, which happens to be a community — is fundamental to unleashing their wellbeing and their economic drive. This is coming not from me but from the *Harvard Business Review*.

Mr JOHANSON — Yes, I know.

Mr FOLEY — It is an international debate. You seem to be subscribers to what is at least theoretically described as the model, from your history.

Mr JOHANSON — In fact, I studied with Michael Porter.

Mr FOLEY — There you go. So you are well on top of it.

Mr JOHANSON — No, but it is my story about where that thing came from. We do not need to tell more than that story, frankly.

Mr FOLEY — It is not new.

Mr JOHANSON — If you think of a bank as just something that goes and earns money out of a bunch of activities that are happening, and we will compete with another bank and we will either get the penny or someone else will get the penny — you know, the value to be got out of the transaction — that is one way of thinking about business, but it is simply not our history. The history of Bendigo and Bendigo Building Society, and I could say the same of Ipswich Building Society or Adelaide —

Mr JENKINS — Sunraysia.

Mr JOHANSON — All of them. It was about people pooling their resources to allow activity that was domestically required — they wanted a solid roof rather than a tent, which then gave them permanence, which then gave a rate base to a council, which then provided its own employment.

The CHAIR — That is probably the oldest process in the world.

Mr JOHANSON — There is that rubric we can keep repeating, which is that we will be prosperous only if our customers are prosperous, and if our customers are more prosperous and we have helped them be more prosperous, we have a better chance of being more prosperous ourselves. Unless they are prosperous, we have not got a hope.

Mr FOLEY — My question is: this committee's specific terms of reference are about trying to look at the best alignment of corporations, communities and governments at different levels, but how does that approach then reflect on how the institutional arrangements — that is, the different levels, but particularly the state level — brings the regulation and the facilitation of that different approach, because the alternative is that we just keep whacking people?

Mr JOHANSON — The reason for giving you a list of projects and my project of Bendigo telco is that the best role of government is to support, nurture, encourage and assist in financing. Sometimes you need to insert activity, do things because of emergencies or other things, but the sustainable activity, the best pay-off, the best multiplier, will come where you are supporting activities that are being generated from elsewhere. So if people in Spring Street get a bright idea and head off to Rupanyup and say, 'We have a bright idea for you, and here is some money to do it', so they get it and the Spring Street people go back and leave them to it, what are the chances of success?

There is another model. We all know that we need better health care. What is going to kill everybody's budget over the next couple of generations? It will be that bubble of health-care requirements. How are we going to cope with more and more people needing it and it being more and more expensive to deliver? You have to get responsibility for it down to places where it is delivered, where people are making their own decisions about it — so supporting a local activity, funding a dementia wing. In Henty the local community bank supported the construction of an aged-care facility. People now die in Henty rather than being exported to Albury to die. Think about the social and economic impact of that, just in the town: it is employment, it is support, it is social capital. All those sorts of things are happening now in that town, funded by people doing their banking through the community bank.

The CHAIR — I have a new slogan for you: 'Bendigo Bank helps you die at home'. That should generate activity!

Mr BRADY — They are building a crematorium in Collie — for that same reason.

Mr FOLEY — But it is capital in the broadest sense, not just capital in a balance sheet sense.

Mr JOHANSON — No, but in a balance sheet sense, that is why the shared value thing in a sense is so obvious you wonder why it needs some Harvard Business School professor. It is so obvious you wonder why it needs insight by anybody, because of course it is so.

Mr FOLEY — But it legitimises it for the big end of town.

The CHAIR — It has always been so.

Mr JOHANSON — For our role and the role of the people we team with, are you thinking about economic initiative? What is the best role for government to play in initiative? There will be some emergencies, but the best, most sustainable role has to be support and nurturing and not standing in the way of people at a local level being able to do that. Some time ago there was a problem. State government had done a tender for banking and someone had worked out that they were going to get cheap banking by doing it with one bank rather than a whole mob. Now decisions about who local government do banking with can be made on a local basis, because they can make their own decisions about it, and so it should be. They know that if they do the banking through the local community bank, then value comes back to them in all sorts of ways.

The CHAIR — Absolutely.

Mr JOHANSON — Sorry. I am rabbiting on.

Mr CARROLL — Thanks for the presentation. Out in my electorate I see firsthand the Bendigo & Adelaide Bank. I am in Moonee Valley. You really do get behind sending kids — a lot of them underprivileged — to do the Kokoda trek, so well done. I think your model is very smart. In a practical sense, how does it work? You have your community strengthening index. Do you look for a trade-off? If someone comes to you with an idea, whether it be to support a business or to send someone to do the Kokoda trek, do you then sit down with them and say, 'Okay. We are happy to get involved, but we would like you to bring your banking across to us'?

The CHAIR — I have seen it not happen for you lots.

Mr CARROLL — You would have everyone saying, 'We cannot have this. We will send you to the community bank, and you can see how you go there.' You cannot just keep handing out grants. It has to be a win-win situation.

Mr JOHANSON — Absolutely.

Mr CARROLL — Is that what you do? You sit down and work out — —

Mr BRADY — The boards will sit down. Most boards have a community investment policy and there will be certain things which boards will do and not seek a financial return for. There are certain activities where that is the case. There will be other activities that will provide them with an opportunity to see business written on the back of that project as well. That is the notion, if you like, of mutual obligation that comes through in those discussions, because it is a commercial model. It is not a charity. The sustainability of the business is dependent upon that business's connection to their customers and their community and that community supporting that business.

Mr JOHANSON — I am not at all shy in saying to people when they ask us for money, 'Do you bank with us?'

Mr CARROLL — Yes. Fair enough.

Mr JENKINS — I guess the key point, though, is that it is your local board there. Whether it be in Flemington or Strathmore or wherever, they are the ones who are making the decisions.

The CHAIR — But it is also your duty.

Mr JENKINS — We give them suggested guidelines and whatever, and we work with them, but at the end of the day it is that board that makes those decisions.

Mr BRADY — Ben, one of the problems we have is that a lot of people do not know how the model works, so we say it is not a community enterprise, it is your community's enterprise and by supporting it, it can support you. That is part of our challenge.

Mr CARROLL — Yes, exactly.

Mr JOHANSON — There is an interesting thing. Community banks get going on the basis of the initial project and capital raising and then they tend to flatten out for a while — accumulate some profits and pay off whatever they have to. Then after a while they start being able to distribute more money into the local community, so they have these nights when they hand out money to people and say, 'This is for your project, but we are only able to give you this money because people have done business with us.'

I have had people come in and say, 'I get it.' So it tends to go in a kind of scallop, but as the investment by the banks into the community and into projects takes off, so their reach broadens and people say, 'Now I do get it' and we do tend to see the business. We have a pattern after — is it five years?

Mr JENKINS — It is about five.

Mr JOHANSON — After about five years there tends to be a boom in the business, and it is really to do with that.

The CHAIR — It starts to sink in.

Mr JENKINS — People see the benefits.

Mr JOHANSON — It is incredible. Banks are a slow-build business. Simply opening up a branch on the corner does not mean people are going to do business with you. They want to know you, they want to trust you. We call ourselves a liability-driven business. Mostly the first transaction is people giving us their money rather than us giving them our money. That is the big trust one. If we do that first, then the trust builds over time. We look after them well. We do not compete on price; we are competitive on price.

The CHAIR — How did we go with the 0.25 reduction this week?

Mr JOHANSON — Wait and see.

Mr JENKINS — The pricing committee meets tomorrow.

The CHAIR — Gentlemen, I thank you very much for your presentation and congratulate you on your model. It is obviously very successful and beneficial to the community. I congratulate you on that on behalf of the Committee. Thank you for being here. You will receive a transcript of today's proceedings. Feel free to make any adjustments that you believe are typographical or grammatical, but nothing to the substance of the document.

Mr BRADY — We will leave you with some documentation. It is about 18 months old now.

The CHAIR — Loan applications?

Mr JENKINS — No, but we can get you one.

Mr BRADY — We can get you one. That is right. Mike Hirst, our Managing Director, is an apology today. He is opening a child-care centre in Nathalia, so I thought I would mention that to you.

The CHAIR — There you go.

Mr FOLEY — Thank you very much.

Witnesses withdrew.