

Australian Mutuals History Oral History Program 2023

Interview with Clive Skarott

Interview conducted by Ben Woods on 26 May 2023

Ben Woods (BW) 00:03

This is Australian Mutuals History. Ben Woods Archivist interviewing Clive Skarott on 26 May 2023. Okay, Clive, could you tell us about your education and first work experience?

Clive Skarott (CS) 00:22

Okay, I finished school in junior year, and I started at the Cairns Regional Electricity Board as a Junior Clerk at the end of 1959.

BW 00:40

Okay. So that was Year 10 of high school?

CS 00:46

Year 10 high school, yes.

BW 00:49

And what about education after that?

CS 00:52

I did a diploma in financial services when it became evident that I needed to have some further education to fully do my job as CEO of the Electricity Credit Union or ECU Australia, as we called them then. So that I could sign off on things because of APRA's [Australian Prudential Regulation Authority] wordings and policies that they needed us to have in place.

BW 01:31

Okay. And so when did you first hear about credit unions?

CS 01:41

Probably in 1974, I had no idea about them before that. And there was no credit union in the Cairns region that I was aware of. And the reason I got involved in the credit unions was that I was a director of the sick and medical fund that had been established in the electricity board, because in those days, there was no Medibank, no Medicare. And consequently, we had the sick and medical fund. We used to raise money, and it would help people pay their health bills. And when Medicare came in, there was no further use for this fund. So we wound the fund up. And then we looked at how we could find something else we could do to help our fellow employees. And I came across an advertisement in a union magazine, the Municipal Officers Association magazine, about the credit union. So I rang them to find out more, and they told me to contact the Queensland Credit Union League, which I did. And I

expressed an interest in us forming a credit union in the Cairns Regional Electricity Board area, and then they sent two field officers up to Cairns and gave us an overview of what credit unions were all about and how they worked. And the group of us who were previously directors of the sick and medical fund, decided that this would be a great innovation to offer to the employees of our electricity board. Consequently, within a month of the people coming up from Brisbane to tell us about credit unions we had our first meeting, and we put to the employees who were present the idea about forming a credit union. We immediately had a really great response and decided to form the credit union. I was elected Company Secretary. And Phil Hollard was elected the Chair. And we started as a credit union with practically nothing. And when we merged with Queensland Country Bank as it is now, the assets of our credit union were about \$340 million.

BW 04:45

Yes, that's amazing. So 1974, you started? Ok, how many members were there when it started?

CS 04:56

When we started. The first day, the electricity board guy told me that I could work full time on the credit union for a week. So the first day, when we opened for membership we signed 25 people up. And I became member number 25. Because that's how I remember how many were signed up on the first day. Because as you signed up, that became your credit union number. And that's how I could remember. So within a month, we had 600 members, and probably within six months we went and visited all electricity depots, we had close to 1200 members. And probably after 12 months we had 2000.

BW 06:02

Very good. So just getting into a little bit more detail about the early days. How long was it from the first meeting before you were registered and up and running properly?

CS 06:18

As we had the meeting where we agreed to form the credit union we had to then register with a government department. I can't remember the name of it. But we registered there in no time at all. We had help from the Queensland Credit Union League to do these things, and we were up and running probably within the month.

BW 06:50

How did the Queensland Credit Union League help you? Did you need startup capital?

CS 06:56

No, they didn't give us any startup capital. What they did is give us some paperwork that showed what we ought to do. So they had standard forms, like each member had a card which we used to write the balance in as they deposited money. So they gave us some standard withdrawal forms, some standard deposit forms, some standard member card forms. And all of that just to start up with. In the end we finished up buying them from them until we reached the size where we could afford to get our own.

BW 07:37

And, obviously they gave you lessons as well, about what to do and philosophy and such?

CS 07:45

Yeah, a couple of people sort of stayed with me for two or three days, and I used to do all of the people's deposits and withdrawals, and then when it came to working out the interest, we would get all the cards and we'd have a working bee with the other directors with one of the directors using a calculating machine. And we would work out the interest that people got on their savings and interest on loan balances. And that all used to be done by hand.

BW 08:31

How long was it before you were able to make loans?

CS 08:38

Within a month. We had one member who really thought it was a great thing. So he deposited \$1,000. That was heaps of money we thought and then the first loan was for \$400. The guy who wanted \$400 wanted to make some improvements to his house. So, you know, we became really successful, we were giving people 6% interest on their deposits, which was well above the 3.25% the banks were giving people and we were charging 12% on the monthly balance on loans. So it worked out really well. And in no time at all people started regularly contributing monies into the credit union. Then they started putting in whole of pay. And one of the big things that really got us off in the lending field was, in the early days everyone who bought a car that didn't have the cash had to pay hire-purchase and the hire-purchase rates were anything between 26% and 28%. So I don't know how many people that I paid out their hire-purchase loan and gave them a loan from the credit union. You know, they were paying say, 28%, I gave them a loan for the credit union to pay that out at 12%. And that really helped families because that put an extra \$50 or \$60 more into their account every month that they were previously paying to the hire purchase companies that they didn't have to pay any longer.

BW 10:40

Just to get some more details about the early days. So the early loans, was there just one sort of personal loan? What was your involvement in assessing loans? And how did loan approvals work? At the beginning, that is.

CS 11:07

It was really easy in the beginning. We were only lending to fellow employees. So the person's word was all because we all knew them really well. We worked with them for ages. And so it was easy because in the first instance, you had to work at the electricity board to get a loan. And so, we knew people, we knew about them. And also, if you wanted to check on them, all their workmates knew what they were up to anyway, so we never had any troubles, never lost any money. Never. Everyone paid their bills, and never had any worries. So then we sort of reached the stage where of the 700 employees that the electricity board had, all 700 were members, bar one person. And then prior to that we allowed the wives to become members. So then we opened up the bond to the Cairns City Council, to the local ambulance, the local hospital. And I think that was about it. And in no time at all, they all

joined in. So then we decided that we would move into the neighbouring electricity board, which was the Townsville Regional Electricity Board. And so I went down to Townsville, and I interviewed the secretary of the board, and he was like the Chief Financial Officer, but in all the boards it was the secretary. I told him what we could do. And he said to me, you know, Clive, I have got a problem. On Flinders Street, he said, on payday, the big trucks all pull up in front of the banks, and everyone gets out and goes and deposits their money in the bank, and they get back in the truck, and then they gather at the next place. So every payday creates a traffic problem in the main street of Townsville, which was Flinders Street. I said, I could fix that with the credit union, of course. So he allowed us to open a credit union office in the building in Townsville, and of course, we fixed the problem because in no time at all, everyone in Townsville had become members of the credit union. And then we moved to Mackay and did the same thing in Mackay. Then we went to Rockhampton and did the same thing in Rockhampton, we went to Wide Bay, to Bundaberg and Maryborough and did the same thing there. And then we went to Toowoomba, on the Darling Downs and did the same thing there and we weren't ready to go into Brisbane and when we were about to go into Brisbane, the electricity industry strike happened so we didn't go there, and I just concentrated on keeping the credit union running in those areas. And then when the strike was over, I went and saw Ces Webster who was the Secretary in Brisbane and told him the story and he gave us a beautiful space in his office in Charlotte Street in Brisbane. And then I went and visited every electricity depot in the area. And Ces Webster gave me Terry who drove me around all the depots. And in no time at all, we had a huge membership, right across Queensland throughout the electricity industry.

BW 15:32

Okay, so the members were at this stage only those involved in the electricity industry and their families?

CS 15:44

Employees of the electricity industry and their families, in other words, their wives and their children. And then we opened it up to brothers and sisters and sisters-in-law and all of that. So we started in 1974. By about 1992, we were operating in every electricity area and every electricity depot. I used to set up a credit union person in every depot and the recognition they got for being the credit union representative was that in the annual report, their name got published, and the depot they were at. And a lot of those people, we provided them with cash so they could do withdrawals. Absolutely worked really well. Everyone loved it. It was a great innovation. You know, it was just fantastic.

BW 16:57

It sounds good. So this is because this is all one organisation, the employees who were members of the credit union were all with public electricity in Queensland, which remains public is that correct?

CS 17:12

Yes, that's true. Once we had done the electricity boards, we also went to the power generating stations. And we also went to the high voltage distribution board. So in the end, I visited every power station, and I used to do the same, it did not matter whether it was a power station or a depot we'd have a credit union afternoon. The credit union would buy prawns and stubbies of beer in those days and people would have a beer. I would do a talk on the credit union and on the values of the credit union

and what it could mean and set up a credit union representative in every depot and every place. It worked really well.

BW 18:06

So over those years how did your involvement in the credit union change? And how did the credit union itself change with technology and loans and all that?

CS 18:30

So, stepping back a bit. We used to do everything by hand, as I said earlier, and then we got onto the credit union system and the electronic banking system. And Ian Olson came up from Brisbane and we went holus-bolus into that system. So as we had set up our offices in Cairns at first and then an office in Townsville, an office in Mackay, an office in Rockhampton, an office in Maryborough, an office in Toowoomba, and then a couple in Brisbane. Onto the electronic banking system, which was really great and made it easy for everyone. I worked at the electricity board until 1988. And then I took on the role of CEO of the credit union in 1989. So when I was working at the board, when I used to go visiting these other places to start the credit union I used to take holidays, I'd have a week holiday. And I'd go into the credit union journey for that week. And then if I went to say, Rockhampton, I would fly to Rockhampton on a Sunday afternoon, we'd hire a car and we'd visit every depot in the Rockhampton area, and then we would go west, about as far as Longreach, and then either leave the hire-car at Longreach Airport and fly back or drive back and then fly home. So it was sometimes really hard between flights to catch them. But, you know, I think the fact that we went and visited every depot, and everyone knew who I was, because I was there, talking about the credit union and giving examples of how good it was and what we were doing. And then we were selling housing insurance and car insurance at a price that was better than they could buy locally. We were selling a health fund, which was absolutely brilliant. And, you know, the members really appreciated the services that we were able to provide.

BW 21:18

When did you start offering home loans?

CS 21:20

Home loans, probably in the mid-80s to late 80s. I think we started going into home loans because we sort of exhausted ourselves in all the personal lending we had. So after we conquered that, we started going into home loans, but not in a big way. But say by 1992, we had done everything and we decided to open up the bond of the credit union to anyone who used electricity was the term, anyone who used electricity. And so because everyone needed electricity, as you know, we were pretty well respected. And that's when we also went into home loans in a big way. Because, you know, young people working at the electricity board, wanting homes, and we sort of wanted to change to being the banker of choice for all our members. Up until we went into home loans members had a bank account in the credit union. Well, we decided that we wanted to be the banker of choice. So we had to offer all of the things that a normal working person could get from a bank.

BW 23:03

Yes. So just to be clear, by anyone who uses electricity, that's in effect an open bond. Is that what you're saying? And that was in 1992, you say?

CS 23:16

Yeah, that's when we started an open bond in 1992.

BW 23:20

That's in Queensland, or, it would be unlikely, but if someone from Sydney wanted to join, they could? There was no barrier. Is that right? Unlikely, but right?

CS 23:33

It was unlikely. The only time we had members who lived interstate was people who were members when they moved interstate, from Queensland. And because we encouraged them to stay with the credit union because you didn't want to lose their business. And they were good members, so we hung onto them.

BW 24:00

Were there any really difficult times, like I know from being involved for a little while in this that deregulation was difficult and caused a lot of mergers and that technology made things difficult?

CS 24:23

We were always involved in the credit union movement. Like we were members of CUSCAL, and we would go on and work with CUSCAL. We we're always fighting to get better outcomes for the credit union movement. Then when they started the Australian Financial Commission or whatever it was, we decided that we better play ball and get involved and we did. And then they had the state-based Queensland Office of Financial Supervision. And then we started, you know, working with them. And then it all merged into one big organisation, and you had to work with them now, it wasn't easy. Because they brought in rules and things, and you were continually looking at how you were providing the services and they were continually making it ... Well, I shouldn't say that they were continually making it hard but they were continually changing the rules. Always for good reason. But honestly, the thing that happened, also that happened around that time was that we lost our tax benefits. Once upon a time when we first started as a credit union, member owned organisation, you didn't have to pay tax. And you know, the banks hated us for that. But that money that we didn't have to pay tax for, most of us spent it on innovation. Our credit union banking, electronic banking system was far better than what the banks had, and it was an absolutely fantastic thing. We were the first people to bring in ATMs, before the banks did and once that tax advantage was taken away from us, with the banks behind the scenes all the time whinging about it. Once we lost that we didn't have the money to do innovative things plus with APRA in its watchdog mode, if you tried to do something outside of the square, they would, what's the word? You'd have to justify to them to spend money, something like that. And they sort of stopped you. They sort of stopped you when you wanted to do things. They made it hard for you.

BW 27:39

Do you think it could have been negotiated or done differently? Are there other routes it could have gone? I've looked at some documentation from CUSCAL at the time, saying that rather than introducing a level playing field in inverted commas, which it isn't really considering the banks are much more powerful, but proposing tax arrangements like what they do in Canada. Could they have been introduced instead of what we have? Or at any rate, could there have been a different outcome?

CS 28:15

Well, I felt that CUSCAL did everything it could to look at different ways. And they were always examining different ways. And, you know, Treasury and others, we were talking to them and everything. And we were getting lots of encouragement, but nothing positive. Nothing positive ever really came out of it. Nothing gave us any benefits.

BW 28:45

You've written on your form and we've just been talking about your dealings with AFCUL and CUSCAL. That is the Australian Federation of Credit Union Leagues and CUSCAL as well as the Australian Institute of Credit Union Management, Indue and the World Council of Credit Unions. What were your dealings with those?

CS 29:14

Every one of those organisations our credit union was a member of, or we participated with. I just believed that as a credit union, involved in the credit union movement, you had to listen, you had to look at opportunities and being in these other organisations often helped you. Like, the Institute of Credit Union Directors in the first instance was very helpful, telling you what governance was all about and doing all those types of things. That was good. I mean, being a member of AFCUL which was a forerunner of CUSCAL, it was all about working together to get great outcomes for you. So that you could effectively run your credit union really well. But also getting everyone together, I used to love going to the AICUM (Australian Institute of Credit Union Management) meetings, because there were always subjects that were taught there, we had speakers who would present on a whole range of different issues, which would help you as a chief executive officer get an understanding and learn to do things in a better manner. So, you know, I was pretty wrapped in all of that. I just enjoyed it all. And I participated fully as our credit union did to get outcomes for the betterment of ourselves. So that we totally understood our jobs and what we were doing. And then, you know if you're in it, you are totally in it. That's what I am trying to say. And you participated, endeavoring to try and get better outcomes.

BW 31:20

Why did ECU merge with Queensland Country Credit Union in 2017?

CS 31:35

Okay, by 2017, we were everything a credit union could be. However, our goal, we felt at the time, we wanted to become a mutual bank. And I asked APRA, I reckon I was the first person to ask APRA how you became a mutual bank. And oh, you know, they thought, I have to think about this. So, then they came back and said, oh you have to have \$50 million in cash assets. Well, we had about at that stage, we had about \$19 million. It took us however many years to have \$19 million in cash reserves. So, I

knew we weren't going to get that amount. Plus, we weren't going to get to the \$50 million in my lifetime. Plus, the cost of the computer software, I always wanted to have the most up to date software that you could have simply because you had to have really great stuff to attract and keep members because other places were doing it. Even now though, I still believe to this day, the credit union software was the best going. So anyway, as I said, we kept doing what we were doing, but we couldn't continue in the manner we were, we just needed to grow. But we couldn't continue how we were, we could have, but I don't know eventually we probably would have lost members. But we decided that in the interest of our members, it was better to merge, as we knew that Queensland Country would become Queensland Country Bank. Right, we thought that would give us advantages that we weren't getting before. Like, one of the things that we had difficulty with was housing loans insurance, we were paying a hell of a lot more than the banks were paying, simply because we were a credit union. So, there were a number of things we felt we would be able to achieve better. So we went through with the merger, and you know, most of the members were really happy with it.

BW 34:18

So how do you feel about the general trend to becoming a mutual bank and what are the pros and cons of being a mutual bank rather than a credit union?

CS 34:32

Okay, I still believe in being a mutual bank. I still believe and I think it's really great. But what's happening now is all the things that we fought for as a credit union, cheaper loan interest rates, cheaper insurance, low cost of having a bank account, you know, low charges, they have just about all practically gone out the window now. We, as a mutual bank, we're no different to the other big banks. We don't get any benefits. Well, I don't believe we get different benefits now. If I was at the NAB, I would be being paying the same and doing the same things, because what I'm doing now, with Queensland County Bank, I don't see that we're any better off. And, you know, I was passionate about the credit union, I was passionate, right from day one. And in providing people with inexpensive banking services, good interest rates, whether you're an investor or borrower, and then additional services that we were providing, which meant that in the end the ordinary old family man had a little bit more money in his pocket. I just feel today that no longer exists. The credit union movement, I think we were picked on by APRA. And the banks got away with blue murder. And now, because of the costs that we have, our mutual banks must continue in the manner they're doing, simply to keep up with the cost of delivering services.

BW 36:39

Okay, a couple of things there. One, how and why were they able to pick on you, APRA, that is? And secondly, how do you see it going forward? What can be done? What would change it? Or will it change?

CS 37:00

What I see going forward is this, when I say that APRA picked on us. Well, there wasn't a credit union that didn't have to comply with a whole heap of stuff. That APRA insisted that they bring in. But we had to do things that made it difficult for us to operate. And we had nothing to hide, we had an open book, we were quite happy to do what APRA suggested in the best interest of us. I used to say all was good

because we were doing everything right, this will be good for our members. At the end of the day, our members aren't any better off today. And you know, when you hear about all the things that the big banks have got away with where were APRA?

BW 38:21

Is that because of their power, they threw their weight around? Is that how it came about?

CS 38:26

Obviously, they threw their weight around, threw their weight around in a big way. But you know, it was all behind closed doors.

But I mean, you know, like, if you had a credit union cheque, people would not accept a credit union cheque. If you were buying a house, they forced us to go to a bank and get a bank cheque. Load of crap. I stood up to them over that. The clearing house. You know, if you had a credit union cheque that you wanted to get cleared in a hurry. It would take you three days in the banks. As soon as they saw credit union cheques come through the system, they threw them in a box for three days. And no one ever pulled them up as hard as we fought. You know, these were the things that went on. Behind the scenes the banks were frightened of the credit unions because the ordinary people were being looked after.

BW 39:38

Okay. Having said all that, how's the future going to play out? How do you see it?

CS 39:47

Well, because I believe in mutual organisations and I only, all the different things that I'm a director of or have been a director of, I only ever get into nonprofits. I've never been a director, or I have once, but you know, I believe in the order of people being given a fair go, so I had to get involved in not for profits, and I'll stay with Queensland Country Bank. It'll probably merge with another mutual bank somewhere down the track because that seems to be the way they're getting pushed. Because for a regulator, it's easier to look after 15 organisations, than it is 50. So, since the regulator came on look at the demise of the credit unions that have taken place. My simple thoughts are, I will stay with the mutual organisations. They'll still survive. But I expect there'll be further mergers.

BW 41:10

Okay. So, what was the highlight of your career and what do you think are the best aspects of the credit union/mutual philosophy?

CS 41:24

Okay. I just loved my whole time working with them. I felt really proud of what we, as a credit union, delivered for our members. And I felt proud that I was part of delivering that and, you know, I put my whole heart and soul, my whole working life into making that credit union what it was. As I said, we started with nothing and when we merged, we had \$340 million in assets, and \$21 million dollars in cash reserves. Now, that's a fantastic achievement, and I'm really proud of that. That probably sums it

up as best as I can. I think we did a lot at the time, and I was part of it, and I was so happy to be able to do what I did.

Postscript: Clive Skarott was made a Member of the Order of Australia (AM) in the Queen's Birthday Honours of 2012. Clive was also "admitted to the award of Honorary Doctor of the [James Cook] University in recognition of his outstanding service and contribution to the northern Queensland community over an extended period of time and his exceptional service to James Cook University, particularly through his outstanding commercial leadership and support".