

Australian Mutuals History Oral History Program 2023
Interview with Chris Shepherd of Macquarie Credit Union
Interview conducted by Ben Woods on 29 August 2023

Ben Woods (BW) 00:02

This is Ben Woods Archivist, Australian Mutuals History, interviewing Chris Shepherd on the 29th of August 2023. Okay Chris, I can see that you were home schooled for a time in Dubbo. How did that come about? What was it like and do you think it had a particular effect on your outlook and psychology compared to your friends?

Chris Shepherd (CS) 00:32

We lived on a farm about 30 kilometers out of Dubbo. In those days of course there were no school buses. Most farm kids were homeschooled until they were old enough and sent away to boarding school or something like that. I have three siblings all older than I was, and we were all homeschooled until the end of fourth year primary school. It was quite good, really, because you could do a bit of school during the day, probably three or four hours, and then you could do whatever you needed to do on the farm for the rest of the day, so it was pretty good schooling really. After Year Four I was sent into Dubbo which is 30 kilometers away to board at a Church of England Hostel for boys and I continued my primary school there and did all my high schooling in Dubbo and so I was in the hostel for seven years. Some of my other siblings went away to school, one went to Bathurst, and another went down to Sydney. The other one was in the hostel with me. So yes, it was an interesting time, everybody was in the same boat if you lived out of town in those days. All the ones that went to the hostel with me were quite often on farms further out from Dubbo than me. I didn't think it was all that unusual, it was fairly common at the time, but I think it did have an effect on me later in life. It gave you an idea of a little bit more flexibility than most people who lived in town and went to school in town.

BW 02:22

I noticed you worked for the Macquarie County Council. Was that your first real job?

CS 02:30

Yes, it was. Not long after I left school I applied for a job as a junior clerk at the Macquarie County Council and I was accepted. I spent a couple of years there learning the ropes of the county council and after about two years, National Service was introduced. When my number, my birthday, came out of the draw the army found me really, I didn't go looking for them. After the first couple of weeks of training in Kapooka, down near Wagga, a couple of weeks after we arrived, they asked does anybody want to apply to become an officer. I didn't know much about what an officer was but anyway I applied and then they gave us a couple of weeks of really solid training, medicals and all sorts of psych tests. Three weeks later I was elected, along with a few others, to go to the officer training school at Windsor. The old migrant centre at Scheyville, near Windsor in Sydney. I spent the next six months on that

course. It was a really difficult course, both physically and mentally. They only pick the ones they thought would get through and even then only about 60% graduated.

But it certainly trained me for life from then on because I graduated from that course as an officer and therefore had the confidence that I could probably just about do anything else in life and be able to see it through. Because they trained you to be an officer in charge of infantry, you could be appointed to any Corp in the army. Could be all sorts of corps - Service Corps, Artillery, Armoured Medical, whatever. I was appointed to the Service Corps, which was transport installers and ended up at Bonegilla, the old migrant centre near Wodonga. I was appointed training officer in an army training unit. I spent the rest of my army time there. We actually met the whole unit down in Puckapunyal in Victoria, about halfway through my time, but I really enjoyed that time as a training officer in the training school. Actually, I enjoyed it so much that I nearly signed up for another term in the army. But those days you had to sign up for five years and I thought at my age five years was a great hack out of my life, and I thought it would be too much, so I didn't sign up. So, my time ended after two years but I really enjoyed it and feel it had a big bearing on my outlook on life after that.

BW 06:00

I noticed you did some computer programming. How did that come about?

CS 06:06

Well, I was fairly good at maths at school. I was interested in numbers and when I left the army, I read that my old employer, the Macquarie County Council, was thinking of buying a computer. A large mainframe computer. It was very new in those days, but I read a bit about it and showed some interest and thought that sounds pretty good. So, I managed to get myself a job back at the Macquarie County Council, still as a clerk but not long after I went back there, they made that decision to buy a computer and it was all very new in those days and there were very few computer programmers around so they decided to train their own computer programmers in house. And after a selection process, I was one of four selected to do a computer programming course, which we did, about a 10 week course. And then we started changing the programs. Everything on the council that was paper based we changed to computers and that took us about five or six years - doing payroll, electricity bills, all that sort of thing. So that took up a fair amount of my time and I really enjoyed computer programming, it was a good part of my career. I got into smaller computers as they arrived a little bit later on.

BW 07:47

When did you first hear about credit unions?

CS 07:51

Well, when I first started work at Macquarie County Council in 1962, about a year after I started, I read a couple of things and they sort of interested me a bit, but I didn't take much notice. But then about 12 months later, one of the engineers was very keen on credit unions and he had a talk with a chap by the name of Stan Arneil. He is probably considered the father of credit unions in Australia and he invited Stan to come up to talk to the staff. I remember going up to the room where he was talking, and everyone was lined up there and it struck me that it was a good idea. You know cutting out the

middleman. All the members with a bit of extra money, you put it together and you got some interest for it. And if you wanted a loan, you got that money. I mean the whole idea to me was something that was well worthwhile. It was only about three months after Stan talked to us that the rest of the staff got together and had a meeting and thought there was enough interest to form a credit union, just for the staff of Macquarie County Council and it was registered in December 1964. I became a member in early February 1965, and I became member number 74 and I've still got that member number. So, I've been a member for just on 55 years now.

BW 09:39

How did you become involved as a Director?

CS 09:44

Well, that was interesting, because after I went away with the army for two years, I eventually got a couple of other jobs. I worked for Kellogg's as a marketing rep for a while and a couple of other jobs. And when I heard that computers were coming into the council, I was keen to get back into it, so I got myself another job back there as a computer programmer, well as a clerk, initially. I think it was about three years after that that there was a vacancy on the board of the credit union. Most of them knew that I had been an officer in the army, and they thought I might be suitable to fill the vacancy and they approached me. I thought, oh well, why not? So, I said, yes. I think the occasional vacancy was confirmed at the next AGM. I was interested in it and to this day I'm still interested in it.

BW 10:46

How has the role changed over the years? In the early days were you involved in approving loans? Were any of the other directors involved as Treasurer or in any other roles in a voluntary capacity?

CS 11:04

Yes, well, you're quite right. In the early days, it was all volunteer work. The Directors virtually ran the credit union with a couple of other people who weren't Directors but were very helpful. It was all voluntary work in the early days. A lot of it was done during work time and the employer was happy with that because they knew that the employees were getting benefits out of it. It was all paper based, people brought cash in, and someone would write out a receipt for it. Of course, we didn't have big loans in those days, they were only small loans. I think in our first year the maximum loan was \$400. Then the whole board would get together and have a look at the loan applications that had come in and they'd approve or otherwise all the loans. It was all voluntary in the early days. We didn't get our first staff member for quite a few years. But that's the way it was done in all credit unions in those days.

BW 12:21

Eventually you became involved in the risk and audit committee and the remuneration committee. Did that happen as things got more complicated and what did those involve?

CS 12:34

Well, that's true. In the early days, there was very little compliance and regulation. There were rules and so forth. Everyone had the same rules and regulations, and it wasn't onerous at all. There was a little bit of paperwork. But then gradually, the regulations improved, as they needed to. Then the idea of

having separate committees to look at audit and risk became common. We were advised that we had to have an audit committee, that was the first committee we had besides the board. The audit committee looked after all the audit data as well as looking after the risk part of it in the early days. But then we formed a separate risk committee later on and, eventually, a remuneration committee. So that was the only three committees that we have ever had. They were formed because of all the regulation mostly but it just took a little bit of the workload off the board. The committee does their own bit and makes recommendations to the board, and it seems to work pretty well. There's a whole lot of policies and regulations that are set by APRA that require a fair bit of extra work and I think that's how those committees came about. I was the Chairman for quite a long while, and I wasn't actually on the committee, I was an ex officio member. I used to attend all the committee meetings as an ex officio member and it was quite interesting because people got to learn a lot more detail about various things, especially with the audit and how annual reports were put together. And that's evolved over the years but in the early days there was very little regulation.

BW 14:42

Did you have to do much training as things got more complicated? Did you learn more about the financial environment and the legal environment?

CS 14:59

Most of us hadn't had much training in credit unions, so yes, we did a lot of training, the Directors did because we're out bush at Dubbo and it's very hard to get training out here, so we mostly had to go down to Sydney, sometimes it was a regional meeting, maybe training at Orange or maybe at Dubbo we had some training sessions. Over the years we attended all sorts of training courses to try to get ourselves up to date and as new Directors came on it became a requirement to attend courses, and there was a lot of courses available to learn about financial statements and how things worked, and the law and all that sort of thing. We had a schedule of Directors to attend these courses and we became pretty well versed in credit unions and how they worked. I think most people had a really good basic knowledge of how everything worked. I know there's a much more specific requirement now for Directors, but in those days it was more of a general idea. And we did a lot of training really, to keep ourselves up to date with it all.

BW 16:27

And was the training via credit union related bodies such as the Australian Institute of Credit Union Directors and the Australian Institute of Credit Union Managers and the like or did you go elsewhere?

CS 16:38

Yes, it was and they were very good in those days and they provided all sorts of training, all sorts of different modules, and we attended most of those, and we actually banded together quite often the Central Western River credit unions here in New South Wales, about six or seven of us banded together and we brought the trainers up to Dubbo, to Orange or even Parkes, and we'd get enough out of our own groups, we'd probably get twenty Directors who would attend one of those courses which would make it worthwhile for the trainers to come up. They were very good to do that and it was all credit union related. We knew each other and we knew the trainers quite often and it was a good way of training all the Directors.

BW 17:31

You mentioned Stan Arneil before? Did you meet any other famous credit union personalities and pioneers?

CS 17:47

There were a lot of people involved particularly in the industry bodies. But they came and went, we got to know them all very well, but I wouldn't say that we got close to any of them. We went to all the conferences, and we thought that was important and to any forums that were on. I think Reg Elliott was probably one that influenced us quite a bit. He was really good and did a lot for the credit union movement and a few others that were involved for short periods of time, mostly, but did a lot of work. We like to get involved with the industry and got to know most of them pretty well. And they often came out when we held a regional meeting once a year and we took turns to host the meetings. We invariably asked whoever was running the industry body at the time to come out. They almost always did, and they enjoyed coming out to the country and talking to us and seeing what was going on out here. We got to know most of them and we worked pretty closely with most of them.

BW 19:11

How has the change in the income tax exempt status and other regulatory changes affected credit unions and mutuals over the years and Macquarie Credit Union in particular?

CS 19:24

Well, certainly the credit unions tax status was a big deal at the time. It did impact all credit unions, actually. But when you look back on it, it probably wasn't as big a deal as we made out at the time. It affected our bottom line for a while but in those days, it was interesting in that most credit unions weren't making much of a profit. Profit was almost a dirty word in those days and when we lost the tax status it seemed like it was going to be a big deal, but I think it started a move where credit unions decided that they needed a little bit more profit and have a little bit up their sleeve. So probably in retrospect it wasn't such a big deal, but at the time, it certainly was. But as far as regulatory changes generally, yes, it's changed, as I mentioned before we had very few regulations in the early days, but over the years, it's slowly ramped up, and probably rightly so. And now APRA have so many regulations and policies, and all sorts of things that really small credit unions, anything under probably \$500 million in assets is considered small, they struggle because you need specialist people to deal with all that - the regulatory changes with the risk officers and all those sorts of things. For many, many years, our credit union right up to two or three years ago, all that work was done by the General Manager or someone else, we didn't have many staff and they became proficient in all that sort of stuff but lately you just can't do that you've got to have specialist staff to do all that and a relatively small credit union doesn't really have the resources or the money to employ all those specialist people. I think that is segwaying into the fact that mergers will become even more prevalent than they have been in the past, I would imagine.

BW 21:34

Do you think there's a time when we might reach peak-merger and we won't see any more? How do you see that playing out?

CS 21:45

No, I think it will just gradually keep going the way it is and the bigger ones will get bigger and the smaller ones will disappear. I think the credit union movement is going to stay around because it offers a real difference to the bigger banks who have shareholders. It's part of a mutual movement that I think is starting to come back a bit. It was very strong in the early days. I think there were 600 credit unions when we first started, it's waned a little bit and some have got a lot bigger because of the way they operated. But I think the bigger ones will just get bigger and the small ones will disappear into the bigger ones. But I don't see the movement disappearing, I see probably eight to ten credit unions in Australia and maybe that'll get down a little bit further. I think the mutual movement is starting to come back again, you see co-op shops and vegetable shops and all sorts of things even in the cities now but particularly in the country where co-ops originated mostly with agriculture etc. I think it's got a good future but probably only several of the bigger ones will remain and that's maybe not a bad thing as long as they remember that they are mutual organisations and I think most of them will.

BW 23:18

What do you think is driving that return to mutual organisations?

CS 23:26

A couple of things probably, there's a disaffection I think with the big banks. Take the Big Four, they make huge amounts of money, but they must do that to pay their shareholders. I mean, that's not that unusual but the general population see that as not fair and anyone that makes a huge amount of money these days is fair game. I think the big banks' fees and charges are pretty high. I think now most people are looking for some connection at a local community level particularly in the city because in the country that's always been there. There's always been a big difference between city credit unions and country credit unions because in the country most people know each other and there's a lot of people that are quite happy to look after their local businesses but in the metropolitan areas that hasn't always been the case. But I think people are now starting to turn back to that model of mutuality and I think in a few years it'll become even stronger and not die out.

BW 24:43

How do you feel about credit unions becoming mutual banks?

CS 24:49

That's an interesting one because when it first started, I thought, oh, this is not good, they're becoming banks. And everyone is saying that we don't like the banks but it's only a name really and they are staying mutual organisations but are changing their name to 'bank'. But I think that probably was a result of a lot of research over the years, a lot of our members didn't really understand what the

difference was between a credit union, which was a mutual and a big bank. A lot of the things that people didn't like about credit unions, like they thought they weren't big enough or weren't regulated like banks and were a bit risky - in the early days that was my biggest problem, people thought you're not big enough and the money might disappear and all that sort of thing. And I think those sorts of concerns drove the change of name to bank to a large degree, and even though I was very skeptical about it in the early days, I've talked to most of the early ones that changed their name to bank and even some of the later ones, and almost without exception, they all said that after the visual change, most people thought it was a good idea. They actually improved their business quite a bit. So, I guess when you look at it, it's just a name change, it's a mutual bank it's not an ordinary bank. I don't really have a problem now. Mutual banks, I think that's just an evolution really, and people are quite happy with it.

BW 26:34

You must have seen a few technological changes over the years in how the credit union went about things. Everything by hand to begin with. Can you tell us a little bit about that and what it's meant for you?

CS 26:49

Well, technological changes have come thick and fast. In the early days there weren't many of course, it was all paperwork but then we actually went through an accounting machine which two credit unions shared for a few years and then when we first got our staff, they used the same sort of systems. And then gradually, things started to change a little bit with computers, of course, and then phone banking, I guess was the next big one, it was a big deal at the time, people could actually do their banking over the phone. Then ATMs came in and of course, credit unions were the first ones to have ATMs in Australia. And that made another big change because it meant people didn't have to go into branches to get money out, they could go to this hole in the wall and get cash out. So that was probably the next biggest change in technology. Then the internet came, and personal computers came, and internet banking came in and all that required a lot of work and resources to install. But certainly, the technology, along with regulations, I would say have been the biggest costs to particularly small credit unions and it's still happening. Technology will always evolve, and it costs a lot of money to get up to date with the very latest bits and pieces. That's one of the reasons I think that the really small credit unions just can't really afford to spend that, whereas for the bigger ones the ratio of spending is not that much greater than for the smaller ones. Mobile banking was probably the next biggest one. You can do your banking anywhere at any time in Australia or overseas, it's an amazing concept, really. Whereas when we first started you had to go into the office to do anything at all. It really has come a long way and I don't see any end to it. I think it will just keep going.

BW 29:30

You were well trained in computers, an early adopter of sorts. Did your training and experience in IT help you with your work as a credit union Director?

CS 29:50

I think so, yes, those that had a bit of experience with computers could see the value of them. With our credit union I was trying to get personal computers in particular involved for quite a while before we actually got them in. Because not everybody had the same view of computers, there were a lot of

negative views about computers and that they were taking jobs and that sort of thing. It wasn't easy but yes, I think those that had knowledge, a bit like me, had an easier time in telling others about the advantages of computers and getting them in. It was a big transition really from accounting machines to going into computers. But everybody in every business had the same sort of transition so I don't think we were much different to anyone else. But it was an interesting time.

BW 30:53

There's an official move for Macquarie Credit Union to merge with Regional Australia Bank, quite a big mutual bank. What is the thinking behind this move?

CS 31:06

Yes, it's an interesting one. We've been trying for several years to get a merger of central west credit unions and form a much bigger one, because we can see the writing on the wall, we knew that smaller credit unions have to do something. Yes, we've been trying for a few years to get some credit unions to get together and merge, so we had one big credit union, possibly in this area, but after a couple of failed attempts for various reasons we weren't quite sure what the future was and then circumstances changed slightly, just recently, and we had Regional Australia Bank as a Plan B partner. All credit unions are required to have a Plan B partner. We had discussions with them, we had chosen them and then we tucked the plan away in the bottom drawer. Then the circumstances arose recently when we became very short of senior staff and had a lot of trouble recruiting senior staff out here. So, we had another look at the merger process, and we thought, well, Regional Australia Bank already have an office in Dubbo. They merged with Orana Credit Union many years ago, and they're based in Armadale, and they are a country based credit union and they've always said that they'd remain country based and that they're only interested in the regional areas. They also cover a huge area up in the northern part of the state, I think they cover 34 branches up there. They've merged with a number of credit unions in that part of the state and they've been very keen to move into the central part of the state and even the southern part of the state. So, we thought this might be another way of getting the central west credit unions together. We had a look at them, and we had a few talks with them and they were very keen and we decided to investigate. We put together a memorandum of understanding and put together the things that we would like to see after a merger. They were very supportive of all of them. After another couple of meetings, we signed an MOU (Memorandum of Understanding) and we're in the process of doing the merger. They're very good, they're regionally minded, they've got the same values as us, they've got no intention of moving into the metropolitan area. We know the Chairman, the Vice Chairman and senior staff quite well, they've been in the industry for many, many years, and so we trust them, and we think that our members and our staff will be much better off. We've got a pretty good deal for our staff and our members. We've had a good look at their rates and their products and everything and we're quite convinced that our members will be better off and that has been the driving factor behind all these possible mergers is that our members must be better off than they are now. And we really think that will be the case. We're merging with a really big credit union with over \$3 billion in assets and it will go quite smoothly I'm sure and it will mean that our members are part of a really big organisation that still is a mutual.

BW 34:49

Is it important that as you mentioned they are regionally based and want to stick to the regions? Is it also important that they have similar infrastructure and are like minded for it to work?

CS 35:06

I'm sure that was the main driver behind the thinking when we talked about this. There's been a few instances of smaller credit unions in the country merging with huge credit unions in the city and I don't think that serves their members out in the country all that well. I mean they aren't probably that much worse off but it's considered just a small group out there in the bush and they don't get the same attention. So that was a big part of our thinking when we were looking to merge with Regional Australia Bank. They are based in the country, they know the country, they know how different it is to the city and they are very keen to promote community involvement. As we do, we support a lot of community organisations around Dubbo and other areas that we serve. They do exactly the same thing and I think that was a very big point in us choosing them because they have exactly the same sort of values of community involvement and support that we do.

BW 36:13

Okay, and so no pushback from the membership on the merger?

CS 36:20

So far, no, it's only been in the pipeline for about a month now. I've had a few people come up to me and ask me about it, but once we explain it, they are very, very happy with it. I think they are quite understanding of the pressures that are involved in running a smaller credit union and that things have changed a lot. And so far it's been it's been very positive. I don't think I'm quite sure, but I don't think we'll have very much trouble at all in getting this across the line as far as the members are concerned.

BW 36:55

What have you most enjoyed about working with mutuals and why would you recommend it?

CS 37:08

Well, it's a lot different now than it used to be. A Director now has to satisfy so many rules and regulations and be fit and proper and do this and do that and be qualified and in the early days we just wanted to help people. Being a Director now is quite a bit different. I'm not quite sure that every Director in every credit union, particularly in the bigger ones, has a passion for mutuality. We did in the early days because we knew that we were part of a group, an employee group mostly, and we were helping each other by having this credit union. These days it's just business and whilst it's still helping people financially, I'm not sure every single Director has the same passion that we had about it [mutuality]. They might have very good skills and be able to run the business well and that's good, that's necessary. But I think a lot of the passion has gone out of it as far as people doing it just because they think it's a good thing. I've been involved with mutuals most of my life, particularly with Macquarie Credit Union but I'm a Director of a couple of other mutuals as well, and I've always felt it was a great thing, cut out the middle man and try to do what you can to help the customer rather than bleed them dry, so to speak. So, I think it has changed a lot but there's still quite a few people out there that have the passion. I think the future of mutuals, particularly financial mutuals, but also a lot of the other

mutuals around the country, if you have a look at Western Australia, the grain mutual there is the biggest mutual in Australia by a longshot, and they're going from strength to strength. I think mutuals are still going to be doing very well but probably some of the passion might've gone out of it.