

Australian Mutuals History Oral History Program 2023

Interview with Kevin Dupe (Regional Australia Bank)

Interview conducted by Ben Woods on 20 December 2023

00:03 (Ben Woods)

This is Ben Woods, Archivist, Australian Mutuals History, interviewing Kevin Dupe on 20 December 2023. Kevin, where did you grow up and what is your educational background?

00:17 (Kevin Dupe)

Thanks, Ben. Pleasure to be with you. I grew up in Canberra and went to a Catholic College called Daramalan College. Then after that I went to ANU [Australian National University] and did a Bachelor of Economics.

00:32 (BW)

Why did you study economics?

00:37 (KD)

Good question, I think I wasn't really interested in the detail and accounting seemed to me to be too detailed. So, I didn't do an accounting major. I did a politics major and economics, one, two, and whatever else and I did some statistics. I wanted to have the macro and micro view of the world and ANU had John Crawford as a professor at the time and he'd done the India five-year plans, and he was pretty well regarded as one of the top economists in the world.

01:13 (BW)

So, you weren't just looking to get a job, you wanted to understand how things worked, the big picture?

01:24 (KD)

Yeah, I wanted to get a feeling for momentum, the global economy, things that made businesses tick, those sorts of things. I didn't really have a clear idea of what I wanted to do but growing up in Canberra, you were always gonna get a job at that time in the public service.

01:46 (BW)

That makes sense. What was your first job?

01:51 (KD)

I was a junior economist in the Industry Commission, which was an economic body that reviewed industry. Typically, major industries, but not only major, we did some little ones while I was there, such as the cork industry, football that is AFL football. We did the tool industry. We did petroleum and mining. That was a massive one. I was only a minor part of all that, I was a junior project economist. I was learning the ropes, but it was pretty interesting.

02:31 (BW)

Yes, it sounds interesting. And so how did you first hear about credit unions?

02:39 (KD)

Well, our family were low income, left leaning people. Mum and Dad famously went to China with Gough Whitlam and Margaret. Margaret and Gough I should say, because Gough always walked behind her not beside her. And so, we were interested in cooperatives, I suppose. And the idea of cooperation. And the banks really didn't want to deal with people like us. We weren't good enough for them. So, the natural place was not money lenders we were a bit above that, but things like Waltons with their store credit to buy your furniture. And then along came credit unions, CPS [Commonwealth Public Service Credit Union], in fact, what's now Beyond Bank, and we joined that, and mum and dad got their first TV with a TV loan which was pretty special. I remember everyone was pretty excited.

03:36 (BW)

Wow, that's pretty good. And so, you then worked for AFCUL [Australian Federation of Credit Unions Ltd] and you were there for a crucial period from the late 1980s through the 1990s. How did you come to work there, and could you tell us a bit about some of the things that happened when you were there because it was a crucial time in credit union evolution?

04:04 (KD)

I remember I was offered two jobs. I had to leave Canberra because my wife and I were getting divorced in a very small town. So, I had to get out of town. Just because it's a small town, we kept bumping into each other and we didn't want to do that. So, I applied for jobs and the two that I got offered were the Forest Industry Council as the CEO of that and AFCUL with the credit unions and we'd been members of the credit union, and we loved the ethos. I famously referred to it as working for Mother Teresa because you know, they're just fantastic. The whole ethos is so wonderful. It was a pretty easy choice. I remember I went to an interview in Canberra, Graham Loughlin was the fella who interviewed me, he was going to be my boss, he was the General Manager of AFCUL. He reported to Reg Elliott who was the CEO of AFCUL and AFCUL Services combined. And he came down and interviewed me. It was a pretty wild interview. I obviously passed, and it included dinner and lots of drinks afterwards and testing out my politics and my ability to handle a bit of pressure, which he certainly put me under, and I got the job. It was National Government Affairs Manager, a very fancy title, but it meant I got to do all the things he didn't want to do. He would do the bigger picture things like the enabling legislation, and later the credit code, and he and a fella called Dave Taylor worked on that. I would do tax file numbering, privacy, dealing with people like the Australian Bureau of Statistics, so I got a lot of the routine things, but I got to deal with the bureaucrats, and I really understood them because I'd been one for 14 years and they liked me so I could get a lot more for us out of the

bureaucrats than he could get out of Ministers and he really appreciated that. We got a lot of concessions particular to credit unions, in relation to things like tax file numbers and privacy. More in terms of extra time to comply and a sort of broad understanding that we were different, and we were smaller. And the payment systems stuff was just starting to bubble up. Although, Reg Fowler who was General Manager of AFCUL Services took the running on that. He was on the Australian Payments Council as an observer. The major banks made the mistake of letting him be an observer. And then when the time came, he allocated 400 BSB numbers to credit unions. We started issuing instruments using those numbers and of course the Reserve Bank and the major banks were up in arms because we stole them. Reg just stole them, and we started using them. It was the only way we were going to be allowed into the payments system was if we did a Ned Kelly. So, Reg did that and Reg Elliott backed him up and they gave up on us after a while and let us keep using them. They're all the numbers through, taken through Cuscal and the NAB and they were all 802s, I think, 802 dash and whatever your number was. That's how credit unions got into the payments system.

08:02 (BW)

During that time, things evolve slowly, but really would you agree that during the time that you were with AFCUL things went from being closer to what they were in the early days of credit unions to more like how things are now? I mean the structure went from being state based and more collective to federalised and computerised etc.

08:40 (KD)

Yeah, that's right. There was a big project called Project Renewal, where Reg Elliott took leave from the organisation and went downtown. I think he went down to what was the Endeavour Credit Union part of what is now Great Southern Bank. And he set up there with his secretary and a fella called Vern Harvey from PA Consulting. And there was another lady who was very good. So those two consultants and Reg Elliott went about Project Renewal, which was essentially persuading the state bodies to give up their sovereignty and create a national body. This became known as AFCUL. Well, it was already AFCUL, but it then became the only trade association. It was one voice and that allowed us to speak with authority and harmony. Although we did have a breakaway group that were Queensland based or mainly Queensland based but I think Qantas Credit Union was a part of it as well. And they were more right leaning as Queenslanders generally are and they weren't helpful when we were trying to get a level playing field, they were fairly inept and so were the building society guys. Lark his name was. He was alright but he wasn't anywhere near the calibre of Elliott and Loughlin and a fella called David Daniels, a lawyer from various firms over the years. Dunhill Madden Butler was probably the main law firm but those three carved out the future of the sector with Reg Elliott also doing the work on the payments system and keeping the business running to pay for it all.

Things changed quite rapidly, we had Graham Loughlin who locked himself away for a while and manually drafted a bill for an act, which was the enabling legislation which we then gave to the Queensland bureaucrats, and they introduced it into the unicameral Queensland parliament and then it was adopted across the other states. So, we have uniform enabling legislation and we each had our own regulators. They were Qucul, I forget what they were called in NSW and Victoria had one as well.

But they were a higher level of regulation than what we had previously. We had the Registrars, and they were woeful. Bottom of the pile really. These people were State Treasury people that were very bright, very keen to get us into the tent as it were and regulate us. And the old saying, be careful what you wish for suddenly, I remember when I joined in 1987, there were over 188 credit unions and they started to rapidly dwindle as we merged. I think I took a role where I was often advising the smaller credit unions because I really liked them. So, I'd go to the Chapter meetings and then I'd be invited out to talk. I remember there were five or six bus credit unions in Sydney alone. Waverley Bus, Ryde Bus, there was one in Balmain, I think. Leichhardt bus and of course they all merged, and somebody merged them into something else. Sydney Credit Union picked up a lot. And there were mergers everywhere. I think Endeavour Credit Union was probably the most prolific, they had a CEO called Alex Sala and he had an offside whose name is on the tip of my tongue, but they did something like 40 mergers. They were just very good at it, and they created this wonderful organisation Endeavour Credit Union that became Australian National Credit Union that merged with the CUA and that formed Great Southern Bank.

13:15 (BW)

And with these mergers could you see that was going to happen at the time because of the regulation and perhaps technology and all leading to where we are today?

13:41 (KD)

They used to have meetings with I think they called them the 40 horsemen. And that was the senior executives within AFCUL and AFCUL Services, so anyone that had any grunt at all, and they would get together and they would have guest speakers, and on this occasion it was Reg Fowler who was the guest speaker and he said, and at that time we had about 300 credit unions, he said by 2010 I think he said we will have something like 50 credit unions, something like that, and they howled him down. They absolutely howled him down and I said, it'll be faster than that. We were chastised for it, but of course, that's what happened. And the reason was it just got more complicated, and it got too hard. The volunteer directors weren't able to cope. The managers needed to be more sophisticated. We did start recruiting from the major banks. To this day, I don't think we've ever got a good one. Because all they know is retail. Actually, that's not true, Graham Olrich was from ANZ and he was very good. But he was from Walcha, having a bit of a country background helps to be grounded. The bank people, and they recruit them all the time, they're very deep in their knowledge, but not very wide. One of the things you need is the macro skills, of course. When you're the CEO, you're the only generalist in the organisation. And you've got to be capable of understanding everybody's role and the bank people didn't do that, they were payment system people or retail people. And they kept employing these retail people who would come up with a lame brain retail strategy, which, how are you going to win at that when the major banks, 50 times your size, are very good at retail? So, we started to dilute in terms of strategic thinking but there were some great strategic thinkers, people like Keith Delaney, who was chairman of Cuscal for a while and CEO with the Community First Credit Union. He was a brilliant strategist. There is a very, very good one now Rob Ryan at IMB Bank, a similar kind of guy, quiet, good thinker. But I think that's our Achilles heel, we don't have many good thinkers. And they don't understand the difference between relationship banking and retail banking. And so of course, we're only there because we're good at relationship banking. Because we care, because we can care about the individual and their family and take the time to understand them. We're not good at retail. We're hopeless at retail and

particularly digital retail, our digital offerings are way behind the majors. But everyone knows that we understand them, and we'll be there for them. Pretty obvious strategy, but they keep walking away and doing these silly retail strategies.

16:53 (BW)

So, you're saying rather than trying to compete with banks on products whether it's a particular loan product or the latest communication technology or whatever, you're saying the way to compete is through mutual philosophy or doing things for the community etc.?

17:33 (KD)

It's not just community, it's the individuals themselves, when you can ring up, in my case, Jen. I've got Jen as my relationship manager and she knows everything about me, everything about my family, she looks after five of my brothers and my mother and so on and she's just superb. And they have lots of them through the mutual sector, and you recruit them, you either grow them or you recruit them from places like brokers, because that's what a broker does. The broker looks after you, thinks about you, that's the good brokers. And then of course, you have this opportunity to support your community in a meaningful way and you look at the most successful ones, and hopefully it'll remain so, they're the industrials, because not only do they understand the individual, they understand that teacher, what a teacher is, they understand what makes police tick, they understand what soldiers' lives are like, you know, Defence Bank, Teachers Mutual Bank, Bank First, they're the really good ones because they not only get the individual and how they think and what they aspire to, they understand broadly what the sector is doing, the sector that they are targeting. And when you're a retail bank, it's just fine everyone's out there. You're not targeting anyone although at Regional Australia Bank, we did. We had Jimmy and Craig and we targeted aspirational Australia. Younger aspirational Australians who wanted to do better for themselves and have an investment property eventually have no debt eventually, those sorts of people, and that led us down the path of small business. A lot of sole traders think that way and go that way. And so, plumbers and carpenters and you know, those sorts of people were perfect. They were common working people who we could understand who we typically lived next door to. The mutuals tend to be people that just live in the ordinary community. They're not stuck up, even the people on big salaries don't necessarily go to the big suburbs. I think you've got to have a target. You've got to understand the niche that you're after. I get very frustrated with the drift to broking and people say, oh well, 65% of all loans are written by brokers, yeah but given the 35% that aren't and we're 1% of the market so that's 35,000 (unintelligible). Come on, you're outsourcing your only competency, which is relationship banking.

20:24 (BW)

Interesting. Speaking of interesting I noticed you did a paper for the World Council of Credit Unions on the incubator model of credit union development. Could you tell us a bit about that?

20:44 (KD)

Well under Keith Delaney I was one of the deputies at Community First Credit Union. It started before I got there. It was based around the church. I think it might've been Baptist, Korean Baptist. But anyway, a lot of Koreans in Sydney are self-employed, particularly in the cleaning and window cleaning industries. And they are very religious, and many go to the particular church that we were in a

relationship with. So, we had a guy Joseph Kim who was a pastor. And he was also our business development person with a Korean incubator. And we grew and it grew quite strongly. The trouble was we didn't put the capital aside in a separate balance sheet. It should have actually had a dedicated balance sheet. It had to be part of a consolidated balance sheet. When the time came when they wanted to leave, we couldn't afford to let them go. The capital that they'd accrued, we hadn't maintained their capital at the same sort of rate. So, they got very disillusioned and just went. I don't know where. It was a disappointing end, but the model was very creative, of incubating. And that may come again, down the track. It's possible that we could do that again, if we wanted, I mean Teachers Mutual Bank have spawned all the different brands but I'm not sure that's the same intent, they never intend to hive them off. But it was innovative, and it was good to be a part of.

22:35 (BW)

That's interesting. As you say, it would be interesting to see if it could be done again. Regional Australia Bank, you've been involved with them for a long time. Could you tell us about how you became involved with them and how it evolved over time? Starting as it was known as New England Credit Union and going from there.

22:57 (KD)

Well, I married a woman from Glen Innes. She was actually the CEO of a little credit union called EDCU, education and cultural activities, which included the NSW State Department of Education, the Opera House, state museums and those sorts of bodies. Very small but she was very competent, and she was keen, as I was, to start a family and we moved to the New England. So, I rang up the CEO of New England Credit Union and said, I want to come work for you. And he said, I don't have any jobs and I said but you will and when one comes up, I want you to hire me and he said, alright. And I said to Keith Delaney at Community First that I wanted to go off to New England and he said I will teach you everything I can which he did. A job came up within two years and I moved up there as the Deputy and I think it was three years later that I got the CEO role and I was very grateful that they didn't go outside, they appointed me. They did interview me, but they appointed me in 2001. And then we set about having lots of mergers. We became Community Mutual and we had New England Mutual, Orana Mutual and Hunter Mutual. Orana was a little credit union based in Dubbo or Narromine actually, but Dubbo was the main town, run by a lovely bloke Ken Tucker and we merged with that one. Then we merged with Hunter, and it was down to Newcastle and Scone and those sorts of towns. And then we founded this amazing brand Regional Australia Bank, which was suggested by a nurse in a female focus group in Dubbo who wasn't even a member. The focus group facilitator asked, what do you love, and she said regional Australia. It went up to the board with about 40 other names and as it got whittled down there were about five left and we had to fight for it, and we got it and it's just a fantastic brand.

I noticed the new CEO has just gone to Wagga and opened a branch somewhere in Newcastle. So, he has started to expand the network. They're a really good organisation. Probably 10 years ago, I realised I was bored, and the place was ok, but not great. And a fellow was recommended to me called Marco (indecipherable). Everyone referred to him as Obi-Wan Kenobi. Anyway, I got him as a consultant, and he and another fellow started breaking everything. And we called it Basecamp to Summit, we did that for three years. And then we said, Okay, we're going to go again. And we went

again for another three years. And then at the end of six years, we had Covid happening, so we better go again. So, we went eight years. We just completely reformed the place, changing everything - computerising all the reporting, building good databases, getting a more failsafe culture by keeping the member the focus and it turned it from a good bank to a great bank. And it still is today, Regional Australia Bank, and all the pain that many of the mutuals are having to go through now to update and reform and computerise and automate - that was done by us during that eight-year period. And we didn't lose momentum, we kept going between 2010 and 2020. We had a big merger with Holiday Coast Credit Union. We tried to get BCU and missed them for the second time. The first time the regulator for APRA jumped in and stole the thing and I understand that he's on his way to jail. The second time P&N was successful in getting them.

27:40 (BW)

What about the future of Regional Australia Bank? How do you see their future and what do you think they should do?

27:49 (KD)

That's a good question. I think it's not possible to create a network across Australia at this time. Where would you go? Do you go to Katherine or in their case Wagga. You're just not going to do it and you're swimming too much against the tide. So, you might pick up a few strategic towns like Wagga and maybe a Ballarat or something like that. But really, regional Australia is not geographic. It's a feeling. When you come from regional Australia, you have a different view of the world. And your values are different than if you just grew up in the city. We're very interested in your neighbour, you'll reach out to them, you'll be there for them. You have a greater sense of community, you often get exposed to a lot of hardship, floods and fires and pestilence. And so, you're a tough bugger, usually. And so, all those things have nothing to do with geography. And most regional Australians actually live in the city. Because there's not enough jobs in regional Australia. So, no reason why it can't have a significant customer base in the capital city. You've got to stick to those values. And thus far they are doing that. So, I think their future's bright, they may well get merged, probably will get merged. But I would doubt that that brand will disappear it's too good a brand. And even when we first got it, we said this is going to attract a lot of people just for the brand. And that's what's happened with a few of the bigger ones that are now in major mergers or just completing them. They wanted that brand and when they didn't get it, they went for different mergers. So, it is an attractive brand for Queensland Country Bank, which is really about the same size and about the same ability but maybe an IMB would work. Those sorts of bigger ones that have got a bit of a nebulous brand. IMB is \$9 billion and well run by Rob Ryan. So, I think it could end up surviving, but it may be the junior partner in at least one merger. I don't think that matters. So long as the values are the same. So long as it's about looking after the customer and understanding what that means. Obviously, you've got to get all the business you can, but you never put a product ahead of a person. You never get a prize for that. Ever. And as I said to someone the other day, don't be a fair-weather bank. Right now, people need help from their bank. So, I'm hoping mutual banks are trusting themselves to help them. Because that's who we are, that's who we should be. We should be in constant conversation with anyone showing any mortgage stress or even rental stress.

30:58 (BW)

A couple of things from that – can the industry be too consolidated, and will that make a difference in helping smaller people?

31:10 (KD)

Probably there'll be some point where, and we're not far off it, where you actually want them more disaggregated. I had a conversation with Rob Ryan from IMB. He said he's got a Plan B with all the ones around him. But he doesn't want that to happen. He wants them to stay put. He wants them to be disaggregated. Really beautiful ones like Horizon Bank. Really well run, why would you want them to disappear? Rob's got that view, I'm not sure that many of his peers do. I think most of them think they can do it better and very few of them actually can. I think more is actually better than less at this stage. We shouldn't be cleaning too many of them up. Obviously, if they lose their way, they need to merge but I don't think we should be getting down to ten.

32:05 (BW)

If Regional Australia Bank is looking towards the aspirational, slightly more well-off person as well as the average punter, what about the traditional mutual person who is just keeping their head above water, who should look after them or should Regional look after them as well it's just not their target market?

32:35 (KD)

Well, I mean, that's our natural constituency. We used to have a saying about the Nico loan. Nico is a wonderful guy who's the starter at the greyhound racing in Armidale. You know, when the bunny goes. Nico is the stepfather of one of our wonderful employees at the bank. We always felt like you had to do the Nico loan. Like if Nico wanted a new trailer for his greyhound, then you should be able to come to Regional Australia Bank and get that loan. That's the danger that we get a little bit full of ourselves. Because Regional do have a lot of very impressive clients. You know, there's some great firms like Forsyths, a major accounting firm, the Armidale School, a very distinguished school, those sorts of people. But that doesn't mean that we shouldn't have Nico and his ilk because ultimately, that is our core. And that's why Regional Australia Bank is so strong, it's got a massive payroll. And that's just punters' money, including Centrelink. There's nothing wrong with having a massive Centrelink payroll, that money is as good as any other money, like you're paying zero on it. That's why Regional Australia Bank had a NIM (Net Interest Margin) of 3, now it has drifted down but only to 2.5. It would have one of the top NIMs in the sector and it's not even industrial. It's getting payroll from ordinary punters in ordinary towns. It's worked hard for that payroll and that's because they are there for ordinary people. And I hope they never lose that. I doubt they will. But yeah, that would be the beginning of the end.

34:33 (BW)

I was made aware of your podcast appearance. We won't go into that territory here. I didn't listen to the whole thing, I listened to most of it, and it was quite moving. I just wanted to ask you about one thing you mentioned in it and that is about management. You mentioned and I'm paraphrasing here, but you said that when you're working in a mutual, you're a part of a team, even if you're the boss you have to

recognise that you're a part of the team. So could you talk a little bit about your management style at Regional Australia Bank considering what you said in the interview?

35:26 (KD)

I guess the thing is, you're only one member of a team. My style was the door was always open. I had some managers, some of whom are still there, who insist on closing their door. And I think that's a really big mistake. As a leader, your door should always be open. Sometimes you have to close it just because you're having private conversations. Figuratively, people should believe your door is always open and understanding who people are, and a little bit about, not so much about their private lives. But about the pressures they're under, what they aspire to and any particular things like maybe they have a special needs job, or maybe they have a husband who is blind or something like that. At least have a bit of an understanding about them such as any health issues. Be there for them because your main job as CEO is to harness the horses as it were. And I think as I said in that podcast, your job is to get them to the top of the hill. If you get to the top of the hill, and no one's behind you, you fail. And I've got a really good mate who was Vice Chancellor, and that was his deal. He'd get to the top of the hill, and no one would be behind him, and he'd get very frustrated. And I'd say to him, Jimmy, you've got to take it slowly. You've got to take them with you. He knew where he wanted to go but he couldn't get people to follow him because he just wasn't patient, and I don't think he liked them. You've got to actually enjoy people if you're going to be CEO. Not just in mutuals, I think that any leader, any leader of people, unless you're a thought leader, if you're a people leader, you better understand who it is you're leading, and what will make them respond to you. Otherwise, you've got no chance. Some of the greatest leaders that I've known have been introverts. It's not that, but they need to be empathetic. They need to actually understand their people and be prepared to bring them along for the journey and treat them with respect.

37:59 (BW)

Sounds good. Just a couple more things. I just want to ask how do you feel about the change of name from credit union to mutual bank?

38:15 (KD)

I know we were very nervous about it at the time we did it, extremely nervous. But what we found in the research is that no one really understood what a credit union was. They thought it was related to unionism and therefore it was restricted to members of unions and therefore they couldn't join, and it really wasn't helpful. Mutual says at least we're owned by the customer. And that allowed the building societies to come along as well and building society was also an outdated term. We didn't put mutual in the name we put it in the ethos, so we said let's always remember we're a mutual let's cooperate. We always had our cupboard open to all of the mutuals, we said to any of them and all of them, anything we've got that's of any value to you, just come and take it, it's yours. So, an open store for mutuals and we expected that in return which we often got. People would help other people simply because we were a mutual, so I think it was a good move to change to 'bank' and we needed it. I think everyone understands Regional Australia Bank is a bank and they also understand that it's a very kind bank, a caring bank, so yeah, I think we got away with it. It was a tricky move.

39:42 (BW)

Just finally, how do you see the future of mutuals and what would you like to see happen to mutuals? Maybe expanding it a little bit beyond finance, perhaps?

39:54 (KD)

It's a good thought. I'm a big fan of Melina Morrison at BCCM (Business Council of Co-operatives and Mutuals). She does a great job. We've had a close association over the years. I think the danger of perhaps those people that are joining the ABA (Australian Banking Association), and I know that Bank Australia is one, is that if you lie down with dogs, you end up with fleas. Frankly, we have to stay very different from the majors because then we're just gone and then there is no alternative. And at some level we are competition but we're more alternative than competition. I wouldn't like to see us get too close to the ABA. I wouldn't like to see the majors start taking us over, that could happen. If we had to do something interesting with, what is it, Unity, what's that health fund?

41:00 (BW)

Australian Unity?

41:02 (KD)

Australian Unity. Now that's a great organisation. It could pick up a really good credit union or customer owned bank and that would be a good fit. I think you're right. I think maybe partnerships with other mutuals like health funds, super funds, maybe even mergers. Rather than go into any more consolidation or much more consolidation. Let's look for strategic partnerships and controlled entities, which obviously Australian Unity Bank is a controlled entity of Australian Unity Health Fund but it's a wonderful organisation. A good example. I think you're on the right track.

41:51 (BW)

Ha, thanks very much, I didn't come up with the idea. Thanks very much for your time, I appreciate it.

41:59 (KD)

Thanks Ben.