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JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL
SERVICES

**Reference: Banking and financial services in rural, regional and remote areas of
Australia**

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JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Thursday, 14 November 2002

Members: Senator Chapman (*Chair*), Senator Wong (*Deputy Chair*), Senators Brandis, Conroy and Murray and Mr Byrne, Mr Ciobo, Mr Griffin, Mr Hunt and Mr McArthur

Senators and members in attendance: Senators Brandis, Chapman and Wong and Mr Byrne, Mr Griffin and Mr Hunt

Terms of reference for the inquiry:

To inquire into the level of banking and financial services available to Australians living in rural, regional and remote areas of Australia with particular focus on the following:

- (a) options for making additional banking services available to rural and regional communities, including the potential for shared banking facilities;
- (b) options for expansion of banking facilities through non-traditional channels including new technologies;
- (c) the level of service currently available to rural and regional residents; and
- (d) international experiences and policies designed to enhance and improve the quality of rural banking services.

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Committee met at 4.35 p.m.

CHAIRMAN—Today the committee is conducting its second public hearing in its inquiry into the level of banking and financial services available to Australians living in rural, regional and remote areas of Australia. Before we commence taking evidence, may I reinforce for the record that all witnesses appearing before this committee are protected by parliamentary privilege with respect to the evidence they provide. Parliamentary privilege refers to the special rights and immunities attached to the parliament or its members and others necessary for the discharge of parliamentary functions without obstruction or fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given by him or her before the Senate or joint committee is treated as a breach of privilege.

I also indicate that, unless otherwise decided by the committee, this is a public hearing and, as such, all members of the public are welcome to attend.

[4.36 p.m.]

BURKE, Mr Charles, Chairman, Economics Committee, National Farmers Federation

POTTER, Mr Michael James, Policy Manager, Economics, National Farmers Federation

CHAIRMAN—Welcome. The committee prefers that all evidence be given in public. Should at any stage you wish to give evidence in private, you may request that of the committee and we will consider your request to move into an in camera session. We have before us your written submission, which we have numbered 119. Are there any alterations or additions that you would like to make to the submission before we proceed?

Mr Burke—No.

CHAIRMAN—I now invite you to make a brief opening statement, at the conclusion of which we will proceed to questions.

Mr Burke—Thank you for the opportunity to provide a presentation to this committee on the issue of banking and financial services to rural and regional Australia. The provision of financial services is vital to the prosperity of farmers and the continued existence of rural communities. Growth of an efficient business requires the use of external funds—debt or equity. While this inquiry and our submission naturally focus on access to debt finance, we wish to indicate that addressing access to equity finance is also important. Banking and other financial services are important inputs into farm production. Farmers pay on average \$18,000 per year in interest. There are only three higher costs for farmers: marketing expenses, averaging \$20,200 per year; wages, averaging \$26,700 per year; and repairs and maintenance, averaging \$20,700 per year.

However, farmers have important concerns about banking services. Farmers have diminishing access to banking services because of branch closures or reduced services through existing branches. They are unable to access branch equivalent services through alternative banking channels, such as agencies, telephone banking and Internet banking. There are obstacles to the use of equity finance, which can be an important substitute for debt financing. These problems are increasing financing costs. Farmers have few opportunities to absorb these increasing costs because commodity prices are determined on international markets, and farmers export around 70 per cent of their production. While branches are closing, the availability of alternatives is increasing, particularly from technological innovations and alternative credit providers. Despite some financial institutions seeing these alternatives as panaceas, they do not completely fill the void left by branch closures.

As outlined in our submission, the NFF argues that our concerns be addressed by implementing a number of recommendations. Some of those include: increase competition in retail banking, particularly through giroPost, co-located branches, the reforms to credit cards and debit cards, and expanding the Rural Transaction Centre program; improve data on face-to-face banking services; review the Australian Bankers Association's branch closure protocol, to improve consultation, reduce costs of transferring accounts and ensure that communities are left with adequate banking services; improve access to cash, such as through Australia Post;

enhance alternative banking channels, particularly through improving rural telecommunications, more training, greater accessibility and improved security; reduce taxes on debt and equity finance; reduce costs of financial regulations, particularly on smaller financial institutions; and improve rural access to equity finance, particularly through increased training and better infrastructure.

At this stage the NFF does not support interventionist approaches. In particular, we argue that there should not be a legislative requirement for financial institutions to maintain existing branches, nor a customer service obligation to pay for maintenance of the existing branch network. Thank you.

CHAIRMAN—At our hearing on Tuesday the view was put that bank branch closures in rural towns probably impact more on the residents and small business operators within the country towns than on farmers because the small businesses operating in the town have need for cash deposits and maybe cash withdrawals, whereas farm operators tend to deal more with cheques, direct debits and credits and that sort of thing. What is NFF's view of that argument?

Mr Burke—Obviously, NFF represents its farmer members. But if farmers travel to their local town to do business—and in some cases that can be quite a large part of their day—and they cannot conclude all their business, such as banking, in the one town, it is very frustrating. It is another on-cost, because the distances they sometimes have to travel are excessive. Also, when they do come to town, they may need some assistance with some of their banking activity. And you are right—we pay a lot of things by cheque. There is certainly a lot of need for that facility.

CHAIRMAN—Do you believe that residents of rural, regional and remote Australia are entitled to exactly the same quality of service at the same prices as urban residents?

Mr Burke—Certainly they are entitled to the same quality, and pretty much to the same level. With the technology and banking alternatives that are available, we do not believe that there should be any reason why people in regional and remote Australia should not experience the same quality of service.

Senator BRANDIS—What you say is right, but to the extent to which they do not achieve the same quality of service, that is a problem of technology delivery more than a problem specific or peculiar to financial services delivery. Would you agree with that proposition generally?

Mr Burke—In some instances, yes. That needs addressing—the ability of people everywhere to avail themselves of the same quality of banking service. The ability to utilise Internet banking should be the same for somebody at Mount Isa as for somebody in Sydney. Some of the other services should be no different, either. But we can see that there are some economic factors which have to be considered.

Senator BRANDIS—At the start of your submission you refer—I am not quite sure what this means—to sociological concerns about alternatives. What I apprehend you might be getting at is that there is a slowness to accept a change in the culture of the sorts of services provided, or the mode by which those services are provided—in particular the movement away from the

idea of the local branch and face-to-face banking to technology based banking, especially through the Internet.

The proposition I was going to put to you is that that is not a problem peculiar to regional Australia. In the biggest capital cities in the country, it is harder to transact business in the traditional way with a bank, and there is more and more pressure, exercised through fees most obviously and accessibility of services generally, on bank customers to do their business through new technology. If that is so and that is occurring in rural Australia as well, that is not a problem of distance; that is a problem because of the change in bank practices at large. Indeed, subject only to accessibility of the technology, there will in fact be a greater uniformity of standards between city and rural and regional customers, because they will all be increasingly expected to do their business by technology, which is almost by definition uniform. Do you agree generally with that proposition?

Mr Burke—We probably do agree with the general proposition—that the move to technology can be looked at as a positive.

Senator BRANDIS—Whether it is a positive or a negative, it is certainly not something that discriminates against people in rural and regional Australia, as long as the delivery of the technology is of a sufficient standard.

Mr Burke—Okay, that is one branch certainly, but going back to what you originally brought up—the sociological impact—if there is a branch closure of a particular bank in a city or a large regional town, chances are there will be another bank branch in that same town where there is still that accessibility for somebody to be able to go and get assistance. In regional and remote areas, that is not always the case. While people may want to embrace that technology if it is available, just getting somebody to be able to educate them in that is a problem in itself—which is again a sociological thing. You do not have that interaction with a neighbour. If your closest neighbour is 100 miles away, you cannot lean over the fence and ask, ‘How do I work this Internet banking?’ In the city, that is possible.

Senator BRANDIS—That is an education issue. I accept that.

Mr Burke—It reverts back to your sociological comment.

CHAIRMAN—That leads on to a question I was going to ask. There has been a withdrawal of physical facilities in rural areas and a move to various technological means of providing banking services and responding to those, and the banks are encouraging that by sending out mail saying, ‘Get on to Internet banking and telephone banking.’ Beyond that advertising of the facility, do you think the banks are actually doing enough to familiarise people with the technology and how they go about using Internet banking?

Mr Burke—In general in regional and remote areas, probably not.

CHAIRMAN—I do not live in a regional or remote area. I live in the city, but I still have not taken up Internet banking. That is purely because someone has not sat down with me in front of the computer and said, ‘This is how you do it.’

Mr Burke—While that is not a direct question, I would like to respond. Perhaps you have not done that because you were still able to access some across-the-counter facilities.

CHAIRMAN—And it is quicker for me to write out my cheque.

Mr Burke—In regional Australia, that is the case as well, but we are still talking about a whole host of banking operations that are done across the counter. If you have had that taken away from you and you are a bit slow to pick up on the Internet technology, that can be quite daunting.

Senator BRANDIS—But that is an adjustment problem, isn't it?

CHAIRMAN—Mr Byrne is next.

Mr BYRNE—Can you tell me what percentage of the people you represent have access to the Internet or are actually taking up use of the Internet?

Mr Burke—I do not have those figures.

Mr Potter—We can take that on notice. We probably would not be able to tell you the numbers for our members but we would certainly be able to tell you that numbers for farmers as a whole. We do not have direct access to information from each of our members.

Senator BRANDIS—Following on from Senator Chapman's question, what is a concern to me is if you had a country town in western New South Wales, for argument's sake, and there was a branch closer, it would be concerning if customers of the bank were to say, 'We are being discriminated against because we live in remote Australia,' when, if it were the case, they were offered electronic or technology based services identical to those of people in the city and they were not to appreciate that people in the city, too, are increasingly being pressed by their bankers—as I said before: in particular through bank fees—to change their banking habits. I know sometimes people say rural communities are more conservative in their habits or they change more slowly. I am not sure if that is empirically true or not. But that is the point I am at pains to make: if a physical service may be made unavailable, if it is being substituted for by a technology based service which is identical with the technology based service available to people in capital cities, that ameliorates the problem very significantly, doesn't it?

Mr Burke—Agreed.

Mr GRIFFIN—But wouldn't you agree that I as a banking user living in the suburbs of Melbourne might have a problem, need to see my manager, need to call into a branch or need to do the sorts of things that everybody does on a relatively regular basis, even allowing for the fact of new technology. But if I happen to be living in, rather than the suburb of Murrumbena, the town of Murrum-whatever, the fact of the matter is that is not an option for me.

Mr Burke—That you can't go in to them.

Mr GRIFFIN—That is right. You can't. That has been part of the result of the closures. There are arguments as to why that should have occurred and so on, but to try and suggest that because the technology is the same the circumstances are the same is just ridiculous.

CHAIRMAN—Is that a statement or a question?

Mr GRIFFIN—Wouldn't you agree? We have had a series of questions from Senator Brandis suggesting that basically technology in this case is really the issue and the sooner we roll it out the sooner it is all fixed. I accept that the sooner we roll it out the sooner some of the problems will be ameliorated to a degree. However, I still think the issue in rural Australia also relates to the fact that when you are talking about having the same levels of service you are talking about having access, and access goes beyond a telephone line.

Mr Burke—You certainly will not get us to argue against that. We have made it clear that we are not happy about branch closures in regional areas. We probably would not be happy about branch closures anywhere if it is an access thing. But we do not also think that it is up to banks to keep branches going if they are not economical. The fact of the matter is, the only way to get them to be economical is to get people in the door and using the facilities. If that is an economic decision that they make, that is fine. But we are looking at a whole host of issues, as well as technology, about trying to eliminate the negative externalities that that creates.

Mr GRIFFIN—Just on that for a start, how do you define economical: making a profit or making a profit in line with the rest of the institution?

Mr Burke—This is one of the things we have actually asked for in the submission: that there be clearer guidelines. It eludes me at the moment. Michael, will you talk about clearer ways of measuring cost?

Mr Potter—In section 5.1 on page 10 of our submission we mention in passing the issue of branches generally being closed for economic reasons. But it is not as simple as calculating when the income is greater than the costs. It is not clear how much income is generated by a particular branch or, conversely, how much income will be lost by a particular branch closure. I think it is partly related to the fact that people do conduct business outside of branches; if a branch is lost, will the person transfer their activity to another bank or will they reduce the amount of banking that they do? What will their response actually be? The answer is not entirely clear.

Mr GRIFFIN—You are saying that normally it is a situation where the income generated by a branch does not cover the cost of keeping it open. It has been said by the FSU on occasions, and most recently around a number of agency closures by the National Australia Bank, that in fact quite a number of agencies and branches are closed not because they are losing money but because they are not making enough money to justify their position in the overall network. I do not know if that is right or not. Do you have a view on that? Have you seen any work on whether or not that is the case?

Mr Potter—We have not seen any work recently. On that same page of our submission, at section 5.2.2, we have mentioned a study which we did in 1998. This showed that during the period 1992 to 1998 there were almost as many closures in towns with growing populations as there were in towns with declining populations. To some extent, that seems to support what you

are saying. I do not think we are expecting to be able to get extremely clear data on this one; it is a bit vague.

Mr GRIFFIN—I turn now to the summary of your submission. One of the dot points says:

- The Australian Bankers Association review its branch closure protocol, to improve the consultation process, reduce (or eliminate) the costs of transferring the accounts to other branches, and ensure that communities are left with an adequate banking service after a branch closure.

With respect to that, prior to the last election and since then, the Labor Party, of which I am a member, has talked a bit about—I mean, you can talk about things when you are in opposition—the possibility of developing a more developed social contract with the banks which looks at issues like improved branch protocols. Have you considered that in the context of what you are proposing there, and would you like to expand on that point in terms of how that should work? Have you raised that with the ABA at all and, if so, what sort of response have you got?

Mr Burke—Firstly, I do not know whether we can respond to some of the initiatives you are talking about, because you have only just mentioned them and we have not done any work on that.

CHAIRMAN—You do refer to customer service obligations, which I think is similar.

Mr Potter—I am aware of the work that you have done; it was an input into what we wrote in our submission, but it was not the only one. On page 13 of our submission we go into a bit more detail about our arguments. The first point that we make is about the maintenance of services. One of our concerns is that the current branch closure protocol says that the banks will keep a face-to-face service going where it is commercially viable to do so. I think the term ‘commercially viable’ is a bit vague and would like that to be made a bit more certain.

Our second point—something that is not contained within the protocol at all—relates to the issues about transferring your account if that branch closure occurs. We would like to see those costs reduced or waived. It is certainly not the customer’s fault that that is occurring, and we would not like to see costs being imposed upon the customer when that does occur. The third thing we raise is that the closure protocol talks about notice being given. Instead of notice, we would like to see consultation, which is a bilateral rather than a unilateral thing.

Mr GRIFFIN—Have you raised these concerns with the ABA?

Mr Potter—Yes, I have mentioned it to them, but I have not had a dialogue with them about it.

Senator BRANDIS—Under the ABA’s protocol, what is the current notice requirement?

Mr Potter—Twelve weeks.

Senator BRANDIS—What do you say it should be?

Mr Potter—We do not say any particular number.

Senator BRANDIS—Do you want to offer a point of view now?

Mr Potter—No.

CHAIRMAN—You are saying that there should be consultation rather than just notice, aren't you?

Mr Potter—Yes.

Mr HUNT—It is actually a two-stage proposal that you are putting forward: an agreed or a statutory period of consultation followed by a minimum period of notice.

Mr Potter—I do not think we would get into that level of detail. We would like to see consultation. We are not fantastically fussed how that occurs—in what order and that sort of thing.

Senator BRANDIS—The ABA are bound to say that these are commercial decisions made on the basis of information that we are not prepared to share with customers, and they would be entitled to say that. But it does strike me that 12 weeks is an extraordinarily brief period of notice. Perhaps you might be a bit on the money in eliciting from the ABA a commitment to expand that.

Mr Burke—I guess we were not getting into specifics, we were drawing to the attention of this committee that we believe that there is some work to be done in those protocols for branch closures. In particular it is quite explicit where it says 'notice be given'. Notice to be given means that they are telling you when it is closing. We would rather see a consultative approach.

Senator BRANDIS—Do they talk to the local mayor, and then when the mayor says, 'There will be hardship in this community if you close the branch,' they will say, 'Yes, we know that, but we're going to close it anyway.' That is what is going to happen.

Mr Burke—We would still like to have the opportunity. We would still like to think that we had the opportunity in particular areas. It is amazing what people will do if they think they are going to lose a service. The bottom line is that in order to stop losing that service, you have to get people through the bank. If they have the opportunity to know that their bank is in risk of closure and that they have to utilise the asset within six months or it is gone, then people are at least empowered to know that, if they do not use the bank, it is going. If they do not use it, at least they are aware.

Senator BRANDIS—You do not think the banks are going to give notice of consultation to whip up business, do you?

Mr Burke—If it means more services for our members, we are quite happy with that.

CHAIRMAN—Is the issue that Mr Griffin raised more in line with the notion of a customer service obligation that you refer to in your submission? It is that rather than the closure protocol, isn't it?

Mr GRIFFIN—It is part of it, but there are other issues there.

CHAIRMAN—I note that you do not support a CSO—I assume there you mean a legislated CSO.

Mr Burke—No, we do not.

Senator BRANDIS—That strikes me as a very important part of your submission, because if you concede that there cannot be the imposition of, as it were, statutory service minima, you do effectively concede that these do have to be market determined decisions.

Mr Burke—I think we have outlined that in the submission as well.

Mr Potter—You could, however, say that we are wanting some non-legislative customer service guarantee type things; for example, an improvement to the branch closure protocol. You could say that that is a non-legislative approach doing similar things.

Mr Burke—And it is probably more industry driven rather than the other way around, and therefore it tends to be cost neutral in a lot of respects. Customer service obligation tends to end up with a cost somewhere along the line.

Senator BRANDIS—That is right. There will be some sort of transfer pricing somewhere, you can bet your bottom dollar.

Mr Burke—And we know where it stops.

CHAIRMAN—You indicate a positive attitude to community supported banking. I also note that you ask the committee to examine whether there are impediments to the continued expansion of a community bank model. Are you aware of any impediments? Have any been brought to your attention?

Mr Burke—I am not aware. Michael, I might defer to you.

CHAIRMAN—It is going to be hard for us to examine, unless they come forward in evidence to us.

Mr Potter—Yes. We have raised this. A couple of concerns have been raised. I am not quite sure where they are from; they could have been from the Hawker report. Some concerns have been raised that community banks provide poor returns for the community's investment—in other words, they are putting money in and not getting much return for it; that community banks can provide unfair competition to other financial service providers; and, lastly, that the community banks are not viable in the long run.

Mr HUNT—On what basis would you say that?

Mr Potter—We are not saying that we do have this concern. In fact, we actually say in the next sentence that we do not think this is a major concern. The concern which has been raised by others is that, if you have the community supporting one particular banking model through a

community bank, that means that their business and funding and everything goes to this community bank, to the detriment of any other financial service providers who may be in that town or in that area.

Senator BRANDIS—So you say that that is a misallocation of local capital?

Mr Potter—Again, this is not our opinion; we are just voicing opinions from other people—but yes, that is, in a nutshell, what has been raised.

CHAIRMAN—You have identified some concerns about community banks that are operating. But isn't there a distinction between those couple of concerns and impediments? Aren't you talking about two different things?

Mr Potter—Yes; I understand the distinction. Yes, that is entirely possible. But you could say that these concerns may become impediments to the expansion or the continued viability of the community bank model.

Mr GRIFFIN—Just to go back to the CSO issue, you have defined a version of CSO and then you have basically said that at this stage you do not support it, but you do support further development of the protocol in relation to branch closures. Also, although you support, as I do, the code of banking practice that has been implemented, you would also, I take it from this, want to see that developed further in a few areas?

Mr Burke—The code of conduct?

Mr GRIFFIN—The code, which basically has only just come in.

Mr Burke—Yes.

Mr GRIFFIN—What I am getting as there is that, when you are talking about funding an overall CSO, you are not seeing that as being a viable option at this time or—

Mr Burke—Not a legislated one. But a customer service obligation can be something that can be negotiated and put into a code of banking practice and is not necessarily—

Mr GRIFFIN—You are happy with the direction that has gone in with the ABA, but you also believe that in some areas it could go further?

Mr Burke—Yes.

Mr Potter—Just to make that clear, the NFF was involved in the formulation of the new code of banking practice. The branch closure protocol is not actually inside that; it is a separate document.

CHAIRMAN—You make reference to multibank or co-located branches or what we might call shared facilities and you list there some pros and cons with regard to that possibility. Where do you think the balance lies? You have asked us to examine the costs and benefits of increasing

the provision of co-located facilities. Do you have a sense where the balance might lie between the pros and cons of that possibility?

Mr Potter—Probably the balance lies against them at the moment. That is not saying that we think they should not happen; we are just saying from a pragmatic point of view that there are a lot of difficulties at the moment with them going ahead.

Mr HUNT—When you say that, do you mean the likelihood or the desirability? We are interested in particular on the position from the rural consumers' perspective.

Mr Burke—The desirability would be very high; the likelihood is very low.

Mr HUNT—That is our job: to decide, one, whether there is demand for that type of facility; two, if there are barriers; and, three, whether we can come up with a solution to them.

Mr Burke—Most of the barriers, in our opinion, would be purely philosophical on the providers' part, and we have noted a number of issues with shared facilities. But, as I said, the desirability would be extremely high; the probability is fairly low.

Mr Potter—There are two things which we see as the clearest barriers. The first is trying to get different banks to operate through the one location. There are all sorts of issues like what name you have on the front of the building and what name the people have on badges. If a customer says to the teller, 'I want to put money in a term deposit,' can the tellers sell them a term deposit from any particular branch? How does that work? And there are IT systems, human resources and security. The second issue is the competition issue about whether the ACCC would have particular concerns about it.

Senator BRANDIS—Do you know whether the ACCC has looked at this?

Mr Potter—I do not know whether they have.

Mr GRIFFIN—You do not tend to refer things to them about banking that often.

CHAIRMAN—Please proceed. That line of questioning is interrupted.

Mr Burke—We did not think that was a question.

CHAIRMAN—It was not. That is why I said to proceed.

Mr HUNT—Not a serious one.

Mr GRIFFIN—It is a very serious one, actually.

CHAIRMAN—Have we finished that line of questioning?

Mr GRIFFIN—I have some questions on fees and charges, but that is on another issue.

CHAIRMAN—Going back to the earlier issue that Senator Brandis raised about access through technology, your submission refers to telecommunications issues, which are obviously central to the capacity to have access through new technology. You raise issues of lack of access, unreliable service and repair delays. Have you had a chance to look at the recent report that has come out on the review of telecommunications?

Mr Burke—We have seen snippets of it, and there are some things in it that are an improvement. It probably still does not alter the fact that there are still concerns, but there is improvement.

CHAIRMAN—I have had people in places like Naracoorte in South Australia tell me that they are quite happy to use Internet banking but, even in a relatively large centre like Naracoorte, they have problems with things like line access, the speed of the line and the line dropping out occasionally. In a sense, does an improvement of telecommunications services go hand in hand with the capacity to improve alternative forms of delivering banking services?

Mr Burke—Yes, I think so.

Senator BRANDIS—Could I ask you about rural transaction centres. I welcome your observations about how successful that initiative has been, the limitations you see on it and how it might be improved. I know you speak to this in your written submission, but would you mind making a few observations about that?

Mr Potter—First of all, it has a great potential; it is a good program. According to the figures we have here, it is only 57 communities. I do not know whether it has gone up.

CHAIRMAN—We were told yesterday that it is 65 now, with another 60 sort of in the process of coming onstream.

Mr Potter—That is good to hear. I guess there is a lot of potential growth, which can be seen as both a positive and a negative.

Senator BRANDIS—In what respect is it a negative?

Mr Potter—In that the growth has not already occurred. We want to see greater benefits from the program and we want to see it extended.

Senator BRANDIS—So it is a good program and you want more of it?

Mr Potter—Yes, basically. It is not a perfect program. There are some improvements which could be made; for example, trying to engage the local communities more and ensuring that the RTCs are actually able to provide a wide range of services. We understand that there are some RTCs which actually provide no financial services.

Mr GRIFFIN—Turning to fees and charges, I refer to your submission on page 13, the second paragraph under 5.3.5, where you state:

The NFF is of course concerned with the proliferation of fees and charges for banking. Our concern would be much less if the banking market were competitive, as banks that have excessive fees would rapidly lose customers. However, the lack of competition makes it entirely unclear whether fees are being set appropriately.

You go on to argue that it is more pronounced in regional and remote Australia. What sorts of things would you suggest ought be done in this area?

Mr Potter—The flow of the logic from those few sentences that you have quoted indicates that if there were more competition in retail banking we would be less concerned with—

Mr GRIFFIN—The banks argue that there is lots of competition. I happen to agree with you in effective terms. Beyond that, though, how we address some of those issues.

Mr Potter—We are not really advocating anything big on this front. There is entirely the possibility that it might be something worthwhile for the ACCC to look into.

Mr GRIFFIN—I wish I had thought of that.

Mr Potter—We do not think that there is a place for the government to regulate that area at the moment.

Mr Burke—But I think it is also expanding on the fact that, as far as competition goes, in particular in a lot of country towns there is only one bank and people feel a little pushed into a corner because they do not have the ability, because there is no competition, to look for another bank. That follows on from there as well. They feel that they are at the behest of whichever bank is in town and its charges.

CHAIRMAN—Do you have evidence that fees and charges vary geographically? In other words, in a town where there is one bank, does that branch use a different fees and charges structure from the one in the metropolitan area?

Mr Burke—No; it is not so much a case of it happening as it is a perception by people when they are only able to bank with the one bank.

Senator BRANDIS—They are. If there is only the one bank in town, that is the bank they choose to patronise. That is just the way it is. I come from Brisbane and that is a one newspaper town. You can only really read one local newspaper. That is just the way it is with a whole range of goods and services—not just in rural Australia.

Mr GRIFFIN—Do you have to have a newspaper?

Senator BRANDIS—Yes. And you can only buy steel from BHP for all practical purposes. That is not a specific disability for rural Australia in relation to banking.

Mr Burke—Yes; point taken. It was only a follow-on from the competition side of things.

Mr HUNT—I am interested in exploring the different alternatives you have if there is not an over-the-counter banking facility in your town. Are you aware of any telephone services for

rural and agricultural customers with a dedicated phone line? If so, how successful are they? I am not aware of any, but it may just be my ignorance.

Mr Burke—Dedicated phone lines for banking?

Mr HUNT—Yes.

Mr Burke—I am not aware of any.

Mr HUNT—One of the great challenges with telephone banking is for those who wish to speak to somebody about specific transactions—

CHAIRMAN—In the sense that they used to be able to go and speak to their local manager, but they no longer have a local manager. Every time they do telephone banking, if they have a query, they get a different person. There is not one person they get used to talking to who knows their situation. Is that what you are getting at?

Mr HUNT—Yes. Telephone banking, particularly for people on the land, is a great opportunity—and, arguably, there are many circumstances where it might be an advance—but the challenge is in getting through to people with specific expertise in the needs of rural and agricultural customers and also in whether you can have a dedicated client manager. Are any of those facilities in existence, as far as you are aware?

Mr Burke—Predominantly, if we were talking about an agricultural business transaction or somebody banking from a business point of view, even if a branch closes in a town you still have a business banking contact. Most people involved in pursuits on the land have some form of business banking, and therefore they would probably still have that contact with a business banker who would probably handle their personal banking as well. But I do not know that I am sure what you mean. Every bank has a provision that, if you want to talk somebody explicitly about your account, there are certainly avenues to speak to people. But if you want to dial up one of the generic numbers, then, no, I do not think so.

Mr HUNT—I was just exploring the idea of a designated line with particular expertise for people from rural and remote areas.

Mr Potter—When we were developing this submission, one of the comments that I got fairly strongly was that there has been a great improvement in the quality and quantity of agriculture-specific products. More people have been employed. There are new agribusiness centres and all that sort of stuff. My impression is that there is some good work being done out there, for farmers specifically.

Mr HUNT—Related to that is the second channel that I want to look at, which is the question of mobile banking—the banker on the road. As far as you are aware, how widespread is having the service provider who will visit face to face a series of clients in a region?

Mr Burke—As Michael just said about this, there has been a change in most of the banks' approach to that. In particular, agribusiness banks are certainly applying themselves to providing that mobile banking service. As I just said, in a lot of cases, particularly with that business type agricultural banking, there are a lot of specific people handling that. They go out

and do trips to catch up with a couple of their clients in a day and that sort of thing. In light of the current banking atmosphere, it is probably on the increase rather than on the decrease.

Mr Potter—However, we argue in our submission that it is seen as a bit of a premium product. It is not provided to everybody, and we accept that it will not be able to be provided to everybody. It is still for the select few at the moment.

CHAIRMAN—On the issue of farm finance, do you have any information as to whether, compared with other small business activity, it is easier or harder for farmers to raise finance from banks and whether they suffer penalties in terms of interest rates compared with other small businesses?

Mr Burke—They are certainly considered a greater risk. I do not know about any clear evidence, though, Michael.

Mr Potter—No.

Mr Burke—They are certainly considered to be a greater risk simply because of some of the cash flow implications with farming and the nature of the business—that you go for quite extended periods of time where you might not have cash flow and all of a sudden you get a large influx of money. There need to be specific banking operations for agriculture, so sometimes it is considered that the risk is a bit high.

CHAIRMAN—So even though the capital security might be high in a sense—

Mr Burke—Banks are certainly happy with the capital security but they are all looking further for your equity position, and it needs to be in conjunction with cash flows. But I would not say that it was to the detriment; I am just saying that we are aware that it is considered differently.

Mr Potter—One point we make in our submission is that farms have much lower debt to equity ratios than other businesses generally and that is probably one of the reasons—farmers have a lot of their value tied up in the land. But, of course, those are averages. There may be some farmers who are much closer to the average in terms of the amount of debt they hold. The same thing would go for the risks. We do not have any particular concerns about the average rate of risk applying to farming, but we totally understand that there may be some farmers who are paying rates that are too high because they are seen as being particularly risky when they are not—but we do not have any particular evidence on that one.

CHAIRMAN—I am not sure whether it was your submission or one of the other submissions that referred to the difficulty of attracting outside equity investment.

Mr Potter—We certainly mentioned that.

CHAIRMAN—Are farmers very willing to accept outside equity in their operations? I thought most farmers wanted to keep their farms to themselves rather than having outside investors.

Mr Burke—It is a changing environment. I think farmers are looking at far greater diversity now than ever before. They are slowly approaching a position where they are not so reliant on having to own the family farm; they are looking at things with a business orientation of lease arrangements et cetera. So there is certainly room for further development of those equity based finances.

Mr Potter—The other point, which we probably did not emphasis in the part of our submission about equity, is that equity finance is important to rural Australia as a whole, not just to farmers. One of the concerns we have certainly heard more about is the lack of equity financing, particularly for infrastructure in the regions.

CHAIRMAN—Do you have any information as to the numbers or percentage of farmers who might have their land owned by an entity different from the actual farming operation? Obviously, if they are looking for equity injections, perhaps into the land, it would simplify the process if they had separate structures—if a company or trust different from the one that conducts the farming operation owns the land. Do you have any figures on that?

Mr Potter—I know that over 99 per cent of Australia's farms are family owned. I think that means they have no outside equity at all. I would have to check the exact data for that. But there is a separate issue about the ownership structure. Quite a few farms are operated on leasehold land, not on owned land, so in a sense the land is actually owned by the government. I do not think that is what you mean, though, is it?

CHAIRMAN—No; I mean where it is a family farm but the family has a different entity owning the land from the entity that owns their machinery and conducts the day-to-day farming operation.

Mr Burke—I do not think we would have those figures.

Mr Potter—No.

Senator BRANDIS—That surprises me.

Mr Burke—Bear in mind that we do not represent every farmer in the country.

Senator BRANDIS—Traditionally, I think farmlands, including pastoral leases, tended to be registered in the names of the natural persons. I guess the issue would be whether in the various states there were stamp duty consequences of transferring the title to a corporate entity or some nominee structure. That is a question to which I do not know the answer.

Mr Burke—A number of years ago there was a proliferation of family trusts, which in a lot of cases took control of the family farm.

Senator BRANDIS—You will find that those ran the business. Senator Chapman's question was directed to the tenure; to the entity that holds the land tenure.

CHAIRMAN—In fact, you might have one trust owning the land and the other trust running the farm.

Mr Burke—It is the same thing. In some cases you might find that the family owns the actual land but the trust owns or leases the equipment, owns all the stock and operates out of the trust—

Senator BRANDIS—That is understandable because that is the entity that derives the income. So for tax purposes that is the way you would expect it to be structured.

Mr Potter—We would be happy to take it on notice to see if we have any more information relating to that, but it is doubtful.

CHAIRMAN—We have no further questions. Thank you very much to both of you for your appearance before the committee and for your answers to our questions.

[5.30 p.m.]

BELL, Mr David, Chief Executive Officer, Australian Bankers Association

BLIGNAULT, Ms Ardele, Director, Australian Bankers Association

CARROLL, Mr Stephen, Director, Australian Bankers Association

CASS-GOTTLIEB, Ms Gina, Partner, Gilbert and Tobin; Adviser to Australian Bankers Association

CHAIRMAN—Welcome. Ms Cass-Gottlieb is to join us by telephone. Can we hear her yet?

Mr Bell—Can I suggest that we proceed and then she can join in. She will answer questions on some of the legal aspects.

CHAIRMAN—Okay. As previously indicated, the committee prefers that all evidence be given in public but should you at any time wish to give part of your evidence in private you may so request of the committee and we will consider a request to move into camera. We have before us your written submission, which we have numbered 117. Are there any alterations or additions you wish to make to the submission at this stage?

Mr Bell—There will be one technical change to the submission. It is a typographical error. I will cover that in my opening statement, if that is all right.

CHAIRMAN—I invite you to make a brief opening statement, at the conclusion of which we will proceed to questions.

Mr Bell—Thank you for the opportunity to appear before the committee. Firstly, I would like to impress upon the committee the importance the industry places on providing banking services to rural and regional Australia, where we do maintain extensive banking networks. The issue of regional services has been difficult for the industry and individual banks to manage over the last decade. The closure of branches and the array of new technologies available for the distribution of banking products have resulted in changes for many people, and the ABA acknowledges that the industry at times could have done a better job of communicating with the many bank customers about these changes.

The ABA has consistently argued that the decline in bank branch numbers is a consequence of competitive forces, demographic movements and changes in consumer demand that emerged in the 1980s and 1990s. Demographic change has seen Australia's population increasingly concentrated in major cities, coastal areas and the larger regional towns. Like many other service providers, including governments and government business enterprises, banks have responded to commercial pressures from those demographic changes. Declining and shifting populations have also affected services like schools, police stations and hospitals and commercial businesses like pharmacies.

We have included in our submission a background paper by Adelaide University, which looks at the distribution of banking and other services in regional and remote locations. The research indicates that access to basic banking services, defined as over-the-counter cash withdrawal and deposit services, in remote and very remote areas of Australia is similar to the level of community access to police, pharmacies, hospitals and schools. The Adelaide University paper comments:

The loss of services in parts of non-metropolitan areas has often been blamed predominantly on private sector organisations, who are depicted as being totally driven by bottom line considerations and lacking a community good element. However, the reality is that the thinning out of services in those areas has been equally apparent among government provided services. Indeed, some would argue that the government provided services—schools, health, hospitals and police especially—are bellwether services; that is, that once they are lost there is a dramatic impact on the community that flows through into other services as well as having very detrimental morale effects.

So the issue of bank branch closures needs to be viewed against this background. A major evolution in financial services has occurred and is continuing, particularly with electronic banking, where today nine out of 10 banking transactions are done electronically compared to 50 per cent five years ago. Despite the shift to electronic banking, banks and other financial services providers still maintain large networks of branches and agencies which offer over-the-counter services.

Comparing branch and agency levels on a historical basis is now problematic with the changes to APRA's new statistical reporting format. However, using data from the old survey, we can observe the following: in 2001, banks maintained 4,712 branches in operation and around 5,043 agencies, and Australia Post had about 2,800 giroPost outlets. Taken together, the current level of over-the-counter services available in Australia today is only 14 per cent less than the number of OTC facilities provided in 1990.

In responding to the competitive pressures of meeting customer needs, banks have made substantial efforts to mitigate against the impacts of closures. The banking industry has given general self-regulatory undertakings on service levels. In March 2001, as part of a package of reforms, the ABA announced the adoption of the transaction services and branch closure protocol, which dealt with, in the main, concerns raised by the Hawker inquiry. There have also been moratoriums on further branch closures. A number of ABA member banks have now declared their branch rationalisation strategies at an end. BankWest, Bank of Queensland and Bendigo Bank, for example, are actually increasing branch numbers.

In addition, other methods of face-to-face banking have been developed by banks. For example, the Commonwealth Bank has had an agency relationship with Australia Post since 1916. ANZ Bank has established a network of third-party operated agencies known as Local Link. Westpac has introduced an in-store branch model. BankWest has an extensive range of agency relationships. Over the last few years, the National Australia Bank and St George Bank have substantially increased access through participation in giroPost. Banks are also developing alliances with rural service providers, such as fertiliser companies and stock and station agents. The concept of a community bank was pioneered by Bendigo Bank and is proving a very successful option for communities. In fact, the first community banks opened in Victoria in June 1998.

GiroPost is an initiative by Australia Post to introduce electronic deposit and withdrawal banking facilities into the majority of its post office branches. This service is a commercial business and an important revenue source for many Australia Post outlets. Seventy financial

institutions participate in giroPost, including 10 banks. One traditional limitation of giroPost was that it did not undertake business banking. During 2001 the Commonwealth Bank and Australia Post piloted a service that provided business banking transaction services to rural areas through postal outlets. The pilot was successful and is now continuing. The service is currently running in 212 Australia Post shops. BankWest reports that it has developed a relationship with giroPost that allows its customers to make simple deposits. The National Australia Bank has advised that it was able to expand rural banking services for small business by negotiating a contract with Australia Post to allow business banking in 56 outlets. The ABA understands that, of the 4,000 Australia Post offices in Australia, 1,000 of them do not provide giroPost facilities. An expansion of the giroPost platform into these post offices would enhance the capability of financial institutions to offer their customers basic over-the-counter withdrawal and deposit facilities.

Rural transaction centres are a federal government initiative aimed at providing 500 facilities throughout regional Australia to give communities access to a range of services, including banking services. All these new forms of facilities share the common feature that they are cheaper to provide than traditional branch services. This is why the government's RTC model fits appropriately into the banking service market. It can be used by government to provide services in towns that do not have a sufficiently large population to otherwise attract a commercially provided facility.

One of the committee's terms of reference is to look at the issue of shared banking facilities. The ABA has investigated shared facility options before. Earlier this year, the ABA developed a proposal for shared banking facilities that could potentially be used to expand regional and rural transaction services. While the idea was recognised as a possible means of addressing community concerns, the ABA council considered that there were a number of disadvantages to the proposal. To clarify these issues, the ABA commissioned legal advice from Gilbert and Tobin lawyers to identify impediments to banks voluntarily sharing facilities to distribute financial products.

The main impediments identified were: firstly, uncertainties in the application of obligations imposed by the 2001 financial services reform acts; secondly, the likelihood of a shared facility attracting a high level of scrutiny by the ACCC, which may allege that commercial arrangements for sharing the facility contravene the Trade Practices Act; thirdly, the cumbersome and time-consuming process of ACCC authorisation; fourthly, political constraints, where facility sharing is viewed as the thin end of the wedge to reduced levels of branch facilities; and, finally, commercial impediments, including the need for financial viability, the potential for customer poaching and the difficulty in determining appropriate cost-sharing arrangements. As a result, it is generally seen as more advantageous for third-party suppliers of banking facilities like Australia Post and RTCs to roll out facilities, and for banks to compete with one another to have their products distributed through those networks.

On the basis of the research from Adelaide University, the ABA believes the core access problem in rural and regional Australia relates to, firstly, the 32—we have corrected the number from 33 in our submission, which was a typographical error—towns that have no over-the-counter banking service; and, secondly, the towns that have an over-the-counter banking service where the service does not include business cash deposits and withdrawal services. In regards to the second point, competition is already moving to meet the demand for business banking in these circumstances—for example, the successful giroPost pilot scheme, the National Bank's

contract to supply business banking in 54 outlets and BankWest developing a relationship to allow customers to make a simple deposit.

The ABA is committed to working with governments and other stakeholders to explore options for addressing these issues. Our preliminary view is that governments should, firstly, encourage Australia Post to expand giroPost into the remaining 1,000 post offices that currently do not provide the service, ensuring that this expansion does not compromise in any towns the viability of a current provider of an existing service; secondly, assist in removing barriers to banks having the option of shared banking facilities but specifying a condition that no sharing of facilities should be allowed unless there is a demonstrated increase in over-the-counter representation; and thirdly, ensure that any sharing of facilities does not violate competitive principles.

The industry wants to take action to address an issue identified in the Adelaide University research. The research identifies 32 localities with populations over 200 that do not have access to an over-the-counter banking service within 20 kilometres. I visited one of those 32 communities last Wednesday, a community called Willows Gemfields, some 80 kilometres west of Emerald in the central highlands region of Queensland. Willows Gemfields is classified as a remote community. It has a permanent population of approximately 50 people which increases to 200 during the period from Easter to October. The local store at Willows Gemfields has an EFTPOS terminal which does not have a cash-out facility. To conduct its banking, the community needs to visit Sapphire, some 50 kilometres away where there is a giroPost facility. Alternatively, members of the community can visit Rubyvale, which is a few kilometres further away, or make the longer trek into Emerald, where there are full branch banking facilities.

A simple solution to increasing banking services appears to have the Willows Gemfields community apply for a giroPost facility and have it sponsored by an RTC program. A giroPost facility could operate out of the Willows Gemfields caravan park store and community mail centre operated by its proprietor, John Halcrow. Mr Halcrow is happy to run such a facility but needs help in getting the application through and of course the assistance of the government's RTC program.

To move this initiative forward, the ABA will firstly conduct an assessment of the banking arrangements in each of the 32 identified communities that do not have access to over-the-counter banking facilities within 20 kilometres of the community to determine the current banking arrangements. We will do so in consultation with the Commonwealth Department of Transport and Regional Services, which is the coordinator of the RTC program, and Australia Post. We are also mindful of the role that local, state and territory authorities and community based organisations may wish to play in this process and are happy to accommodate them in the survey and assessment. On the basis of the assessment, we can then discuss with the community if there is a requirement for some form of over-the-counter banking service appropriate to the needs and the special circumstances of that community.

If the respective communities are prepared to work to progress the matter, we would then work with Australia Post and the RTC program, as well as any other local state or territory authority and community based organisations, to determine an appropriate solution. In the course of progressing this matter, we are mindful of initiatives that may be under way by other financial services providers. We do not support the implementation of any solution which would force the curtailment of any current service offerings in these communities, an action which

could be in effect anticompetitive. Again I thank the committee for its time today and look forward to your questions.

CHAIRMAN—Can I just check whether we have our online witness with us?

Ms Cass-Gottlieb—We do.

CHAIRMAN—In relation to the Adelaide University research, apart from the 32 localities that you have referred to that do not have access within 20 kilometres, you also mention that nine per cent of banking points of presence are located in areas that are categorised as remote or very remote, although those areas account for only three per cent of the population. The inference from that is that you are actually doing better than the population justifies, in a sense.

Mr Bell—That is clearly the finding of the research. We can reflect, for example, on the National Australia Bank submission. I think that they devote 54 per cent of their bricks and mortar infrastructure to service 31 per cent of their customer base. That of course reflects regional, remote and rural Australia.

CHAIRMAN—Rather than the percentage of the population, would a more relevant or fairer figure be the percentage of areas that are categorised as remote? When you talk about ‘remote’ and ‘very remote’, I take it that this is a different definition that you are using there in terms of points of presence from the 20 kilometre judgment.

Mr Carroll—No, it is the same.

CHAIRMAN—So you are looking at areas of 20 kilometre radius?

Ms Blignault—And a population of 200 in the town.

CHAIRMAN—So you are basically breaking up Australia into areas of 20 kilometre radius.

Mr Carroll—That is what the research has done.

Mr Bell—It might be worth while clarifying what data they have used, Steve.

Mr Carroll—The basis of the information for the locations is the ABS census data. That data identifies locations with populations of 200 up. The information that they used with regard to the services that are available is information that we provided to them which we obtained from APRA. There is other information used in the analysis which looks at access to other types of services, and they document the sources of that information in the submission.

Ms Blignault—The other thing is that the 20 kilometres is by road.

CHAIRMAN—I was going to suggest that a fairer measure would be the percentage of areas that are defined as remote or very remote, rather than the percentage of the population that is contained in those areas. In other words, you say nine per cent of banking points of presence are located in those remote and very remote areas, but what percentage do remote and very remote areas make up of the total area of Australia, if you are talking about them as distinct areas?

Mr Carroll—That is identified in the report.

CHAIRMAN—Is it?

Mr Carroll—The report also analyses the number of locations within those remote and very remote categories that do not have access to an over-the-counter transaction service; that number is 28.

CHAIRMAN—Right.

Senator BRANDIS—Branch closures is obviously the issue of most concern to people. I think that you were in the hearing room when the gentleman from the NFF spoke about the branch closures protocol. I was struck by the piece of evidence that the notice period under the protocol is 12 weeks. Is that uniform across the industry?

Mr Bell—That was agreed by the industry. Every ABA member agrees to that.

Senator BRANDIS—I must say, Mr Bell, that that strikes me as terribly short. That is three months. If you are talking about a town where there may only be one branch of one bank operating, three months strikes me as being a terribly short period of time in which to expect people to rearrange their affairs. Would the ABA be willing to rethink that, even if only with a view to expanding the length of notice to perhaps six months? Do you think that would be more reasonable?

Mr Bell—I think our banks think that is an adequate period—

Senator BRANDIS—Obviously the customers do not!

Mr Bell—I think the experience the banks have had is that it has proven to be an adequate period. Prior to a bank making a decision to close a branch, it obviously conducts a fairly detailed study which includes consulting and speaking to customers. Each bank has its own approach, of course. I think the experience of the banks is that three months has proved to be sufficient. It is probably worth me making clear at this point that quite a number of our member banks have made fairly significant declarations or moratoriums for branch closures. I am happy to give you some examples of those, if that would help.

CHAIRMAN—Yes, certainly.

Mr Bell—The CEO of St George Bank, for example, made it clear on 5 November that they are going to increase their representation. The NAB made it clear in its submission to this inquiry that it will not be considering any further rural branch closures now or in the near future. The CBA declared it would retain its branch numbers at current levels with no withdrawal of banking service from any community in Australia. In 1998, Westpac committed to maintaining face-to-face banking capabilities in every Australian country town in which it operated at that time, and it believes it has delivered on that commitment. Those are just some examples of, in most cases, recent commitments by the banks on moratoriums on branch closures.

Senator BRANDIS—I am sure that is good news for the people in those centres, but I want to press you on my earlier question. You have told us that, from the point of view of your members, 12 weeks is long enough, but you have heard the evidence given on behalf of a large subset of customers in rural Australia that that is not long enough. I wonder whether the ABA would be prepared to relook at this with a view to extending the 12-week notice period in the protocol.

Mr Carroll—The 12-week period was agreed to in the context of an undertaking that was given to leave behind over-the-counter services—so it is not that there will be 12 weeks and then nothing left there for customers to transact with. The context of the 12 weeks has to be put into that light. Australia is the only country we are aware of where the banking industry gives the undertaking that, where a branch is being closed, they will leave behind some form of face-to-face service.

Senator BRANDIS—I understand that. My point is a very simple one. We heard the evidence, and I must say I did not know about that and it impressed me. I just wonder whether, Mr Bell, on behalf of your organisation, you could tell us that you would relook at that having regard to what you have heard.

Mr Bell—I am very happy to go and speak to my member banks and to put your proposal to them.

Senator BRANDIS—It is not my proposal; I am really boomeranging back to you something that was said to us by the NFF.

Mr Bell—I am happy to go back and speak to my members about a proposal like that. Again, I would reflect the fact that the experience of our members is that three months is sufficient and I would draw from what Mr Carroll said about the intention of the branch service closure protocol. Yes, we will speak to them.

CHAIRMAN—Another issue that arises out of the branch closures—and we have heard evidence of it again—is the issue of fees and charges in relation to closing accounts, paying out and reopening mortgages and that sort of thing. There does not seem to be anything in the protocol regarding that, and that seems to be one of the issues that is raised in relation to the bank closures. Is there scope to amend the protocol to include a waiver of fees and charges when branch closures occur, given that it is not something that is initiated by the customer?

Mr Bell—I think there are two things we have to consider. Firstly, in terms of typical transaction accounts, I am not aware of there being fees and charges associated with closing and opening those. If that were the case, if we were talking about a transfer to another face-to-face facility, then there are no fees and charges involved. Secondly, if we were talking about something like a term deposit, which has a period of time to run, there is no reason why the customer could not maintain that term deposit with that bank in the event that that bank had decided to close its branch and not provide a substitute face-to-face facility.

Mr Carroll—With services that involve commitments over a longer period, then the need to deal with them on a face-to-face level obviously is less, so those sorts of products can run. Also, if those types of products—like term deposits—are for long terms they are most likely to be at fixed rates, and there are economic costs for breaking those fixed rates. The same goes for fixed

term loans at fixed rates—there are economic costs for breaking those loans. So I do not think the bank would find it reasonable that they should incur the costs of breaking those sorts of arrangements. The only costs that I can think of that a customer would incur in transferring accounts from one bank to another are the establishment costs at the other bank. There are not any costs as such for simply closing down an account.

CHAIRMAN—I suspect the issue arises where the bank they are using in a town closes but a bank of a different brand remains open. They want to maintain their face-to-face banking, so they want to transfer to a different bank, which seems quite justified to me in those circumstances. In that situation fees would be incurred—if you are closing down a mortgage and reopening it with another bank and so on. In the situation where a branch closes, I wonder whether those fees could be waived. Ordinarily, if you close your mortgage with one bank and move to another one, obviously it is not possible but, in this situation, where it is initiated because of a bank closure, then there is scope to explore that. Do you have an answer to that?

Mr Carroll—I think you would have to define what the fees are that you are referring to.

CHAIRMAN—Probably mortgage establishment fees, early pay-out fees on a mortgage—the sorts of fees you would ordinarily incur if you take out a mortgage with one bank, pay it out early and transfer to another one.

Mr Carroll—We would have to know what those fees are. It is very hard to comment without actually knowing whether or not those fees are significant. The significant costs will be where somebody wants to break a fixed term contract. Obviously, there would be fixed costs associated with those contracts. I do not think the banks would be willing to forgo those costs because they could be substantial.

Senator WONG—One of the suggestions in the NFF submission was to look at your protocol to address the issue Senator Chapman has raised—that is, the capacity or the willingness of banks to waive fees in circumstances where an establishment fee of whatever variety is primarily being incurred through the closure of a bank branch in a particular area, and therefore people have to move somewhere else. Is that an issue that you considered when you were dealing with your bank closure protocol?

Mr Carroll—It is not a cost that they have to incur; it is a cost that they may choose to incur. I understand that they may incur a cost—

Senator WONG—With due respect, that is a bit specious, is it not? If the choice is to either not have an account because your branch is closing or to open a new one, then your choice is being exercised in rather limited circumstances.

Mr Carroll—The point we were making earlier was that there is an undertaking as part of that protocol to leave a face-to-face transaction service behind. So it is not as if all services are being withdrawn and costs are being forced upon customers, in that the customer has no alternative but to make banking arrangements somewhere else. That is the point I am trying to make.

Mr Bell—I think there are probably two circumstances that apply. One is the transactions protocol, the idea of which is that we leave behind face-to-face services where feasible.

Senator WONG—There are some questions about that.

Mr Bell—The other is that, in the instance where someone stays with their bank and moves to a different form of face-to-face service, the situation does not arise. The situation you painted, Mr Chairman, was when face-to-face service goes and they choose to go to another bank which is maintaining a branch facility, should the protocol be applied—

Senator WONG—Or that the services which are left are not adequate for what the customer needs. If whatever services you retain through alternative mechanisms are not sufficient for their needs, they therefore may wish to go to another bank.

Mr Bell—Do you mean they would transfer to another bank which would maintain those services? That is not addressed in the protocol; it is something which we will go and speak to our members about.

CHAIRMAN—You referred to the foreshadowed improvements in telecommunications facilities for online access. What is your current assessment of the quality in terms of speed and lines not dropping out and the affordability of access for banking services via telecommunications in Australia?

Mr Bell—I think we just need to paint a bit of a picture about electronic banking. There are essentially four forms of electronic banking: ATMs, which are not affected; telephone banking, which we hope is not affected and which half of the population uses; EFTPOS, which would not be affected and of which two-thirds of the population are regular users; and, of course, Internet banking. Across Australia, the figure is typically anywhere—depending what figures you believe—between 10 and 12 per cent of Australians regularly using Internet banking. I think the ABS figure for farmers is somewhat higher. That is the background to it. Stephen, can you give the technical answer?

Mr Carroll—I think the cost of utilising Internet services has come down in recent times with some of the undertakings that Telstra has given, such as local call access to Internet services. The issues to do with service quality are ones that we do not really have any information about, such as line dropouts and the speed of lines in local areas. We are aware that Telstra has a target of providing Internet services at a speed of 19.2 kilobytes per second. We have asked our members whether or not their Internet banking services will operate at those speeds, and the information that has come back is indicating that they will. Obviously, they are not designed to operate at those speeds; they are designed to operate at speeds from probably 30 kilobytes per second up to 52 kilobytes per second, which is what your standard modem operates at.

CHAIRMAN—You raised some issues there that militate against shared facilities. Have you thought through whether there are possible remedies to those impediments and, if so, what?

Ms Blignault—It might be worthwhile going through the impediments.

Mr Bell—I think it is probably worthwhile. We will take it a step at a time. We will hear from Gina Cass-Gottlieb. She can explain the impediments and how we can get over those impediments, and then we will talk the other one through.

Ms Cass-Gottlieb—The principal ones we have covered here are regulatory ones. Under the Trade Practices Act, the most significant aspect of sharing that we could see that would be required, particularly where the emphasis is face-to-face service, is not the sharing of physical infrastructure—which, in fact, presents many fewer problems—but the sharing of employees and the joint provision of customer services, which is the point at which the potential concerns relating to sharing of competitive customer information, sharing of competitive pricing information and exchange of such information typically may arise and may be of concern to the ACCC.

Members of the ABA also have had a heightened awareness about potential scrutiny of joint arrangements that have been entered into in other areas where they have sought to have sharing and sharing of costs—for instance, in relation to the BPay service—to facilitate a wider provision of services. That they have come under the scrutiny and enforcement investigation by the ACCC has heightened awareness of concerns, particularly in relation to the types of prohibitions which are termed per se or automatic prohibitions, such as price fixing and market sharing.

Under the act, there is quite clearly an authorisation process. That process enables the ACCC to grant authorisation to arrangements on the basis that there is a net public benefit that outweighs the concerns or anticompetitive detriments. Because there has been quite a degree of focus on these questions in the context of the Dawson committee review, we did include some aspects for this committee to see some specific experiences of the members of the ABA in relation to cumbersome aspects of the authorisation process. For instance, the electronic clearing system authorisation did take over four years after the initial application. There were some substantial regulatory questions there relating to terms of access for new entrants. It is possible that these sorts of arrangements may have fewer concerns, but it is still not unreasonable to say there are many examples where the authorisation process is cumbersome and lengthy.

It also does require quite a lot of specificity. It is not a process which enables, for instance, a model—such as the rural transaction centre type model—and a general authorisation that then allows any conduct that fits within it. Because authorisation operates to immunise only the conduct as described, you need a very specific description of the conduct. So unlike an exemption by regulation or an exemption by legislation, which requires specific authorisation—it must comply with the competition code but could exempt a model for shared customer services, for instance—if we were to rely on the authorisation process under the act, it may be necessary to describe not just a model but area by area where sharing was proposed, particularly where different banks wished to do so in different areas. It may be necessary then to keep lodging different applications. The process is not well attuned or designed currently under the act to allow for a general model, which would appear to be the sort of approach necessary to address the sorts of issues that are before this committee.

One other point is that members of the ABA do not expect that the ACCC would be opposed at all to these sorts of initiatives, but the ACCC are generally wary or sceptical of some areas of sharing. They are concerned as to whether it can be quarantined from other areas of sharing that would give them more concern. That is also why we fully acknowledge that the ACCC would be supportive of initiatives and would have no trouble seeing the public benefit. That does not mean, though, that they would not want to be satisfied that the arrangements were properly structured, met the requirements of the act and were not, in a sense, a back door or a way for

there to be a greater exchange of information or sharing than the commission would be comfortable with.

Senator BRANDIS—Mr Bell, in your opening statement you said that one of the reasons why facility sharing was unattractive was the cumbersome process of getting ACCC authorisation. Has that been tried at all in any case? Has an application been made to the ACCC to authorise any occasion of facility sharing among the banks?

Mr Bell—I am not aware of any application from the banking industry, but Gina may have some other examples which would indicate the cumbersome process.

Senator BRANDIS—When you address that question, if I may make this observation and invite you to comment on it, lots of other industries have to go through the process of getting ACCC authorisation. It is not immediately clear to me why the banks should stand on any different footing from anyone else.

Mr Bell—I do not think we are asking to stand on any different footing. We are simply making the observation that the process is cumbersome and in itself is a potential detractor.

Ms Cass-Gottlieb—A series of submissions were put in to the Dawson committee by a range of industries, looking at the problems about the time period on authorisations. They covered construction, materials and transport areas. A number of small businesses also had concerns. At one point I was representing chicken farmers in many states. We sought and obtained authorisation for them to collectively bargain with the two large manufacturers of processed chicken products. That process did not take four years, but it did take nine months.

Senator BRANDIS—My point is that just because a process is cumbersome, if it may lead to a beneficial and socially useful outcome that of itself is not a reason not to engage in it.

Ms Cass-Gottlieb—That is understood. If there is a desire to have a model that can be flexibly applied, this is not one. If there are third parties who wish from a business perspective to have a physical presence, or have other economies of scope, and they produce no trade practices issues whatsoever, such as the giroPost model, on a net basis overall it may be a more sensible approach.

CHAIRMAN—Assuming we could overcome the ACCC issues, whether that be by policy, legislative changes or whatever, have you thought through how you overcome the interbank issues—the potential for poaching customers, privacy of information and so on?

Mr Bell—No, we have not. The preferred position of the banks is that we would rather see third parties roll out these networks, as they already have, and compete through those networks rather than go through this process, which is still cumbersome, of potentially having shared facilities. That is the preferred view of the members.

CHAIRMAN—So your preferred option is the giroPost or the RTC—

Mr Bell—That is correct, yes.

CHAIRMAN—with one bank bidding to be the bank facility in that?

Mr Bell—I think with the giroPost facility a bank does not necessarily host the giroPost. It is hosted, typically, by Australia Post.

CHAIRMAN—That is right. But RTC tends to have one bank involved, doesn't it?

Ms Blignault—Not necessarily.

Mr Bell—It can be a giroPost service—

Ms Blignault—It doesn't have to be.

CHAIRMAN—We are still waiting for our House of Representatives colleagues. I am sure they have some questions. They have been tied up in a series of divisions. We will keep ploughing through. Is there any differentiation between fees and charges relating to metropolitan branches and fees and charges charged by rural and regional banks, particularly where they effectively have a monopoly in one town?

Mr Bell—As far as I am aware, there is absolutely no differentiation between the standard of fees and charges charged in any particular part of Australia.

Senator BRANDIS—That is an important point, given uniformity. What that tells you is that capital city customers, who are paying the same level of fees and charges, are subsidising the delivery of services to remote customers, who are paying what in terms of the unit cost of the delivery of the service would be much greater.

Mr Bell—That could be the case. I do not know the economics of the banks' models.

Senator BRANDIS—That must be the case, as a matter of commonsense, if it is uniform. The delivery of a service in remote Australia is, presumably—I think we could take this for granted—more expensive to the bank than the delivery of a service in an area of high population concentration.

Mr Bell—I am happy to accept the validity of what you are saying, but I genuinely have no information which tells me the various expenses.

Senator BRANDIS—That is a point for you; that is a built-in subsidy.

Mr Bell—Understood.

CHAIRMAN—Given that there appears, from what the NFF told us, to be a perception that there is some discrimination, can the ABA do something to dispel that perception?

Mr Carroll—There probably are some examples of over-the-counter transaction costs being waived because customers may not have access to electronic banking services. So there could be examples where their costs are actually lower for an over-the-counter transaction.

Senator WONG—Your answer, Mr Bell, was that you are not aware of any differential. Presumably, you have actually looked at whether there is any differential between fees charged in metropolitan areas and fees charged in regional areas or you have had that information provided to you by your members?

Mr Bell—I can state with 99.9 per cent certainty that that is the case, but I will make sure that it is 100 per cent correct. We can cite examples where it does actually work in favour of people who live in rural and regional Australia, but I would like to be 100 per cent sure. I am 99.9 per cent sure.

Senator WONG—And whether or not that applies across the board?

Mr Bell—I am almost absolutely sure that is the case.

CHAIRMAN—The NFF in their evidence and in their submission raised a couple of concerns that had been expressed about community banks in terms of their commercial return to the community, and I think you were here when we had the discussion about concerns versus impediments.

Mr Bell—Yes.

CHAIRMAN—Do you have a comment on the concerns and do you have a view on what the impediments are to the expansion of community bank facilities?

Mr Bell—I have never heard those concerns, and those concerns do surprise me. Community banks operate in a competitive environment, and we support competition. Presumably, if the community bank can offer a better service to customers in a particular community, good luck to them. Stephen, have you heard those concerns expressed?

Mr Carroll—No. I think some people might look at the way in which a community bank is established and the basis upon which the capital is formed to do that, make the observation that it is now the community that is earning a lower rate of return on their capital than, say, a bank and then ask the obvious question as to whether that is sustainable or whether at some point the community will say, ‘We can do better putting our money somewhere else.’ I think the obvious answer to that is that the community is making that choice. At this point in time they expect to get a return on their investment, and I think the decision to invest money in these facilities is mainly a goodwill one and not a capital return one.

Mr Bell—In figures published by the Bendigo Bank, which is the leading example, the returns have been better than putting your money in a bank, if you like. So they have justified investing in a community bank.

Ms Blignault—In addition, the Bendigo Bank put in a submission to the committee and listed in that submission examples of projects in the community as well as returns at each community bank.

Mr Carroll—I think the other concern that the NFF raised was to do with the impact that that might have on access to other services in a location. But, again, that is competition. If the community prefers one model to another, then so be it.

Mr Bell—I understand that you are keen for your colleagues to come back from the House to ask us the questions that I know they are keen to ask. We are happy to come back on another day if that would suit. I know both Mr Hunt and Mr Griffin are very keen to ask us questions.

CHAIRMAN—Or even later this evening? I still have a few questions I want to ask you.

Mr Bell—Certainly. There is the slight issue of the last plane out of Canberra.

CHAIRMAN—So you are due to go out tonight?

Mr Bell—It is a 7.15 flight, yes.

CHAIRMAN—I would expect to have you back at the end of the process anyway, so maybe they can ask their questions then if they do not get the chance today.

Mr Bell—But, if you want a supplementary preliminary hearing, we can come back.

CHAIRMAN—Okay, thanks. In terms of maintaining face-to-face banking facilities, whether that is by bank branch or by some agency arrangement, are you making any progress with ASIC in relation to PS146 and training requirements for front counter staff under the FSR Act? Or is the only solution the one that this committee has recommended, which is a change to the definition of ‘financial product’? In other words, can it be approached through a different training regime being mandated for counter staff or do we need to change the legislation?

Mr Bell—We have seen and support your thrice-made recommendation, and we have again written to Senator Campbell to express our view that for certain deposit products those training requirements should not be included in tier 2. You are well aware of the costs that are imposed, particularly upon some of the smaller banks. I think Bendigo Bank, in their submission to your committee, indicated that the cost would be about \$1.5 million, which is quite substantial. In addition to the costs, for small communities there are also dislocation issues. If you have two people in a branch, for example, sending one of those people away for a substantial period of training could cause some problems. So we absolutely support your committee’s recommendation. We have again written to the government and we are hoping for a positive response on that front.

CHAIRMAN—Would a so-called tier 3 training level be an alternative if we cannot get our option up?

Mr Bell—It could be an alternative so long as it addressed those two issues: cost, particularly for the small banks, and that dislocation issue where you may have only two staff at a branch or a sub-branch.

Senator WONG—Briefly going back to the bank closure protocol, one of the criticisms that the NFF made was to question what the proviso about commercial viability actually means. Their concern was that—and I suppose you would understand—one could look at a number of things and assert that they were commercially non-viable.

Mr Bell—Commercial viability is as hard as we could get it, because, as you would appreciate, banks have different decision making methods and different returns on capital. That is as tough or as close as we could get to what we thought was a satisfactory standard. There is an element of open-endedness there but that is the best we could do.

Senator WONG—What about some sort of consultation process? There are a variety of ways in which you might be able to provide those particular facilities, and some of them would require you to have the appropriate agencies or people in the community who could provide them. There does not appear to be any sort of consultation process associated with that decision, and I wonder whether that is something you have turned your mind to.

Mr Bell—The protocol talks about informing customers of alternatives—

Senator WONG—That is a little different from what I am getting at.

Mr Bell—I appreciate that. I want to get this point, because there is a big difference between informing and consulting. Consulting implies that you are going to actively listen and act upon people's views. When banks go through the process of making a decision like this—and each has its own way of doing things—they would necessarily speak to their customers and weigh up the effects on their customers, and that would be, as far as they are concerned, the most appropriate way of doing it. If you introduce an element of strict consultation to the process, you may end up dashing people's hopes. So I think we would prefer to leave it as it is.

Senator WONG—I thought that would be your position in relation to the closure of branches. I was more interested in having the determination of whether delivering the services in another way would be commercially non-viable possibly being the subject of some community discussion—in the sense that the community might be able to facilitate the provision of those services in other ways.

Mr Carroll—A simple example is if you look at what a bank like Westpac might do. They may put in place an in-store arrangement. That is a model that they have developed in consultation with the community, with their customers, and they think it is the model that works for them as a bank and for their customers. If, as a result of community consultation, the community said, 'What we would actually like is a community bank,' Westpac may not be in a position to facilitate that.

Senator WONG—I appreciate that. What I am asking is whether the banks would be willing to look at something in the protocol that talked about actually exploring the possibility of providing these alternative services with the community concerned. It is a different thing from consulting about the closures.

Mr Bell—I am sorry, I misunderstood your question. I think we would feel that the wording as it currently stands covers that, but I am happy to speak to our members about it.

Senator WONG—I do not think it does cover it, but that is my view.

Mr Bell—We are happy to raise that.

Senator WONG—There is a broader question that I would like to get your views on, and clearly in the submissions there is quite a lot of discussion about the reduction in banking services in rural and regional Australia, and concerns about that. I suppose the banks would say that that is a function of the market operating and some of these services being unprofitable or uncompetitive. I would like to hear, from your perspective, what it is you think could be done to address that, broadly. I do not mean just what is your responsibility. There are things which are your responsibility and there are things which are the responsibility of government.

Mr Bell—You were away when we offered a suggestion to deal with 32 remote communities. Our general view would be that, yes, there have been changes in the way in which banks deliver their services; there is no doubt about that. Since 1990, there has been a reduction across the board of branches in Australia. We acknowledge that. At the same time, we feel that, in most cases, that has been more than compensated for by different forms of banking. We have 400,000 EFTPOS outlets in Australia. We have 12,000 or 14,000 ATMs; I cannot remember which. We have telephone banking. We have the ability for customers in rural and remote areas to deal with mobile bankers, or to deal with regional banking centres on particular agribusiness issues. There has been a change but we think it has generally been for the better. We accept the fact that there has been a reduction in the number of branches, but in overall terms we think that the change has been for the better. If you want some specific comments, Stephen Carroll has expertise in the agribusiness area. He might want to reflect on some of the changes that have occurred in agribusiness and some of the additional services that farmers have taken up.

Mr Carroll—The agribusiness market is an example in which special services have been put into that area of banking. Those services have been developed over probably a decade now. Most of the banks servicing that market are employing agriculture graduates and typically they look for agriculture graduates who have a background in family farming so that there is some empathy there. They are delivering the services to the farm—visiting the farm to talk business—rather than the customers having to travel. In that sense, the issue of distance is being addressed. Also they are obviously available to deal with any problems that customers might be having with their banking services. They are generally supported by specialised marketing units.

Senator WONG—What sort of numbers are we talking about, Mr Carroll?

Mr Carroll—What sort of numbers with regard to what?

Senator WONG—These sorts of people.

Mr Carroll—Increases in the numbers of these specialists? Can we give a proportional increase? We can undertake to give you specific numbers. There has been a substantial change. The way in which you would look at it is in terms of what access the customer has to these sorts of services.

Senator WONG—That is what I meant. I am trying to get a handle on whether we are talking about servicing a few particularly affluent communities or agricultural businesses, or whether we are talking about services being accessed across the board by Australian farmers.

Mr Carroll—You would reasonably assume that anybody who has a significant borrowing arrangement with a financial institution that is involved in primary production would have

access to these services. People who are not borrowing money may not have access to these people, because obviously they do not need the agribusiness level of expertise if they are not borrowing money.

Mr Bell—To go back to the general community, we have a couple of suggestions with about how we could pick up the gap that may exist in reality or perception. Firstly, the government should encourage Australia Post to open giroPosts in the remaining 1,000 post offices that do not have it. GiroPost is a very good facility. Secondly, we at the ABA are going to look at the 32 remote and very remote communities which do not have access to over-the-counter banking services within 20 kilometres of the 200-plus population zone, and speak to those communities about how we can help them. We have made that particular offer and we are going to do that.

CHAIRMAN—Can you enlarge on the process you might go through to do that and what sort of time frame you are looking at?

Mr Bell—We have not thought of a time frame but it is not something that we want to dawdle on. It is something that we want to start reasonably quickly, so I think we will start it this year. There are three steps to it. The first thing we have to do is to make a survey of those communities, because, as you know, when you examine statistics the reality on the ground can be quite different. An example is Willows Gemfields, which is one of the 32 which were identified. I visited the community last week. It is 80 kilometres west of Emerald, in Queensland. Despite it being identified as having a population in excess of 200, when I got there, was on the ground and quizzed the local shop owner, in fact the population floats between 50 and 200. When I spoke to the person on the ground, he was very willing to put a giroPost facility into his store. He thought it was an excellent idea. So we are happy to look at each of those 32 communities and speak to them and, if they are willing, we will work with Australia Post and the RTC program to see what assistance we can give them. We think that is a very practical way of dealing with those things you identified.

CHAIRMAN—So your first initiative would be to survey the communities.

Mr Bell—Absolutely.

CHAIRMAN—The second?

Mr Bell—Firstly, we want to survey and find out precisely what the situation is for the community—what their banking needs are. Secondly, we would then discuss it with the community. Thirdly, if they wished to proceed with it—they may not wish to do it—we would then work with the community, with the RTC program, with Australia Post and anyone else who wants to get involved as well. It is hard to read the map, but most of those communities are in the Northern Territory and are, I suspect, Aboriginal communities. They are also in the north-west of Western Australia, and I suspect the same. There are three in Queensland, one is in South Australia, and I think that is it.

Senator WONG—Is it in northern South Australia?

Mr Bell—It is.

Ms Blignault—There is a map at the end of our submission that points out where it is.

Mr Bell—You are probably familiar with this, Senator Chapman.

CHAIRMAN—It is in the uni study, is it?

Ms Blignault—It is Yalata. It is west of Ceduna, I believe.

CHAIRMAN—Yes, I know Yalata; I've been there.

Mr Bell—Is it an Aboriginal community?

Ms Blignault—Yes.

CHAIRMAN—You gave some details in your opening remarks on this proposal this morning, but it is not in your written submission, is it?

Mr Bell—No, it is not, because subsequent to our written submission we thought that this was a good thing to do.

CHAIRMAN—Could you leave a copy of that with us?

Mr Bell—Yes, certainly. I have a copy of my opening remarks, which I shall leave with you, and it is in there.

CHAIRMAN—Thanks. As there are no further questions, I thank you very much for presenting to the committee this evening and for your answers to our questions. It has been very informative.

Mr Bell—Our pleasure. We are happy to come back for some more questions as part of the preliminary process.

CHAIRMAN—Thank you.

[6.42 p.m.]

ALTMAN, Professor Jon Charles, Director, Centre for Aboriginal Economic Policy Research, Australian National University

TAYLOR, Dr John, Senior Fellow, Centre for Aboriginal Economic Policy Research, Australian National University

CHAIRMAN—Welcome. The committee prefers all evidence to be given in public but if at any stage you wish to give evidence in private you may request that of the committee and we will consider moving into camera. We have before us your written submission, which we have numbered 78. Are there any alterations or additions that need to be made to it before we proceed?

Prof. Altman—There are a couple but they are not very significant; they are to do with the availability dates of some of the publications, which I will tell the secretary about. They are on the web site now. It said they would be available in late September but, with a bit of slippage, they were available in mid-November.

CHAIRMAN—Okay. I now invite you to make a brief opening statement, at the conclusion of which we will proceed to questions.

Prof. Altman—Thank you very much. On behalf of the Centre for Economic Policy Research at the Australian National University, I welcome this opportunity to provide additional evidence to this committee's inquiry into the level of banking and financial services in rural, regional and remote areas of Australia. John Taylor and I compiled a short formal submission on behalf of the centre, and I would like to table an exhibit, *Competition and consumer issues for Indigenous Australians*, that is authored by CAEPR staff and is referred to in our submission. I would like to provide it for the committee's use. I would also like to draw the committee's attention to the submission made by CAEPR to the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs in its inquiry into Indigenous capacity building, because, in our view, issues of governance and capacity development for Indigenous communities in rural and remote regions are closely linked to issues of banking and financial service provision.

As a witness today, I am joined by John Taylor from CAEPR. John and I were two members of CAEPR's staff who participated in and presented papers to the workshop organised by Reconciliation Australia in May of this year on banking and financial services for Indigenous Australians. We will not refer to this workshop in any great detail as we are aware that Reconciliation Australia have made a submission, No. 120, to the inquiry, and are following us as witnesses.

In meeting today, we believe that this inquiry's terms of reference represent an important opportunity to explore many of the difficulties that Indigenous communities in all their diversity face as they seek or are inevitably drawn into engagement with the wider Australian economy and society as part of the processes of globalisation. There is a highly contested view at present that the last 30 years represent a period of policy failure, particularly in relation to economic

development for Indigenous communities in regional, rural and remote areas. As the CAEPR submission highlights, there is absolutely no doubt that access to banking and financial services is an essential precondition for Indigenous economic development. Although social scientists, we recognise that development itself is a hotly contested notion varying along a spectrum from the very wide Amartya Sen sense of development as ‘a process of expanding the real freedoms that people enjoy’ to narrower, more conventional notions like economic growth as measured by income per capita, formal employment levels and independence from welfare.

In the last decade there have been some fundamental changes in the nature of banking and financial service provision in rural and remote regions with a decline in physical banking presence and a growing reliance on electronic banking and electronic communications about financial services. The CAEPR submission seeks to highlight that these changes impact negatively and disproportionately on Indigenous Australians in terms of both senses of development that I have just referred to.

In terms of expanding the real freedoms that people enjoy, social indicators show there have been significant shortfalls for as long as we have been able to measure—since the 1971 census—in education, health, housing and employment status of Indigenous Australians. These shortfalls are invariably more pronounced in rural and remote regions. The reasons are relatively well known and complex and include history, location, cultural difference and shortage of opportunity.

The current reality is that Indigenous people are disproportionately represented in such regions, are generally relatively poor in cash income terms and are often welfare dependent. They almost invariably live in very small communities where there are often no consumer banking services and where individuals lack access to electronic and phone banking options that most Australians take for granted. Inevitably, absence of such basic services further marginalises people who are already among Australia’s most economically vulnerable.

There is a great deal of policy rhetoric at present about the need to enhance development in the conventional sense—economic growth, employment, reduced welfare dependence—for Indigenous people residing in such situations but little hard thinking about the additional hurdles that lack of access to basic business banking, let alone access to financial advice, present. In many remote locations a budding Indigenous entrepreneur would lack any means to deposit business earnings, again a hurdle that is unimaginable for most Australians small businesses.

There is of course a real chicken and egg problem here—excuse the metaphor. A certain critical scale of business turnover is needed before it is attractive for banks to open a branch or provide financial services and vice versa: a certain rudimentary level of business banking services is needed before commercially viable businesses can operate, unless small Indigenous businesses are expected to operate without access to deposit facilities, credit facilities and other financial services—hardly a realistic option at the start of the 21st century.

We are not suggesting that the provision of banking and financial services will be a magic panacea for Indigenous underdevelopment. There are many other contributing factors that will need to be addressed first on an equitable needs basis. Then there other structural factors, often overlooked: the location of many Indigenous communities in regions that lack commercial opportunity. Irrespective of access to business banking, development opportunity in the

immediate future will never match that of mainstream metropolitan Australia, which has enjoyed rapid economic growth in recent years.

CAEPR's brief to look at Indigenous economic policy issues means that we often need to provide a factual input to important public policy issues, like those being addressed by this inquiry. To animate our discussions today, we highlight the following very briefly. This inquiry must not overlook the relatively high proportion of the Indigenous population—over 50 per cent of the total—residing in regional and remote areas, nor their extreme relative socioeconomic disadvantage. There are about 1,200 discrete Indigenous communities, most with populations of less than 1,000, in these areas. Many residents of these communities are very culturally different from mainstream Australians. This means that even standard service provision expectations about ability to access may be very misplaced.

The issue of enhancing the economic development capacity of such communities has been noted many times in the past three decades. These communities operate in very difficult circumstances, usually remote from commercial opportunities and viable labour markets, and they face real diseconomies of isolation and small scale—difficulties exacerbated by the decline in effective access to banking and financial services. There has been little policy innovation about how to address such problems.

Finally, it is our view that public policy and private practice need to carefully consider these special circumstances. Under the broad rubric of corporate social responsibility, the banking sector needs to consider its community service obligations. There is a broad national interest in ensuring long-term sustainable economic futures for Indigenous people in rural, regional and remote areas of Australia; and conversely, the costs associated with the maintenance of the status quo need to be considered. Governments must consider to what extent they should regulate or subvent the equitable needs-based provision of banking and financial services in such situations to facilitate economic development.

CHAIRMAN—Thank you. I note your reference to the figure of 1,200 small communities, which you defined as being of fewer than 1,000 people.

Prof. Altman—Most have a population of less than 1,000.

CHAIRMAN—The ABA in its submission talks about communities in excess of 200 and the availability of banking facilities to them. They say there are only 32 communities of over 200 that do not have a banking facility within 20 kilometres. Do you have figures that break down your 1,000 into the over-200 groups and what the banking facilities are, from your statistics?

Prof. Altman—I will hand over to the demographer.

Dr Taylor—We do indeed. In fact, it is not in our submission. There are detailed figures in another paper, which I will submit. To quote very briefly from that paper, of that 1,200 there are in fact 947 communities of fewer than 200. In other words, the vast majority of discrete Indigenous communities in remote Australia are of fewer than 200—the vast majority. When I say a 'discrete' community, I am referring to a community that has at least half of its population as Indigenous—in many cases, they are the vast majority of that population—and that tends to have some form of autonomy in terms of service delivery to its population.

Prof. Altman—We can send that paper in as an exhibit, if that is all right.

Dr Taylor—I would give it to you now, but I have scribbled all over it. It is working paper No. 16. It is entitled ‘The spatial context of Indigenous service delivery’. In addition to that comment, I might add that the population estimated in those communities of fewer than 200 amounts to 22,000.

CHAIRMAN—The total population?

Dr Taylor—The population in the Indigenous, discrete communities in remote and very remote Australia that have fewer than 200 people amounts to 22,000.

Prof. Altman—That means that the balance with populations of more than 200 is about 80,000 in other discrete communities.

CHAIRMAN—In the other 300-odd communities. Is that right?

Dr Taylor—No. We are mixing places here. In remote and very remote Australia—and I use those terms precisely, because they actually have a geographic classification now—there are some 80,000 Indigenous Australians in discrete communities. Some 22,000 of those are in communities of fewer than 200 persons.

Prof. Altman—So 60,000 is the balance.

CHAIRMAN—Then you talked about 1,200-odd communities with populations of fewer than 1,000, didn’t you?

Dr Taylor—I did. All these details are in this paper.

CHAIRMAN—So there must be some 300 communities in the 200 to 1,000 range. Is that right?

Dr Taylor—Yes, I would agree with that.

Senator WONG—This is page 8 of the paper.

Dr Taylor—In the 200 to 1,000 range, there are 105. It is a fairly complex picture, because we are concerned to consider communities that are removed from services. So of the 1,200 communities in remote Australia, some of those are actually in towns. There is a discrete community in Katherine and a number in Alice Springs. Those that are detached from service centres amount to 1,055. Of those, 947 have a population of fewer than 200. As I say, these details are spelt out in all their glory in the paper.

Senator WONG—While we are on this issue, what do you say about the ABA’s submission—they are different statistics, measuring different things—which says that there are only 32 communities with a population greater than 200 which are further than 20 kilometres from a banking service?

Dr Taylor—That is entirely possible, I would think. I have not seen the submission, but what they are saying is that of those over 200, 32 of them are more than 20 kilometres from a banking facility, which I assume—

CHAIRMAN—No, they are within 20 kilometres but do not have a banking facility—isn't it?

Senator WONG—No, further.

CHAIRMAN—Sorry; they are further than 20 kilometres and do not have an banking facility.

Prof. Altman—But are they referring to Indigenous communities or all communities?

CHAIRMAN—All communities. That would include Indigenous communities.

Dr Taylor—How is 'banking facility' defined?

CHAIRMAN—It is face to face.

Senator WONG—No, it is not.

CHAIRMAN—That is right; it includes EFTPOS and ATMs.

Senator WONG—It is ATMs, giroPost—

Prof. Altman—There is a big difference between EFTPOS and ATMs, because with ATMs you can actually go and swipe your card and get some cash to go to the shop. EFTPOS requires you to go somewhere and purchase something. You have to go to a store and then you get your change or you get some cash; but many stores limit it.

Dr Taylor—Our study shows that, of those communities with a population of fewer than 500, there are 854 which do not have a store or an administrative building where such facilities could be housed.

CHAIRMAN—They talk about points of presence: branches, ATMs, giroPost and Australia Post. Where does it say EFTPOS?

Senator WONG—They define banks' points of presence, including EFTPOS, on page 12. Where are you reading from?

CHAIRMAN—Page 5 in the uni research paper, where they talk about banking points of presence as being branches, ATMs, giroPost and Australia Post manual bank agency locations. So they are including ATMs, but they do not include EFTPOS.

Senator WONG—It is just that earlier in their submission they refer to points of presence, including EFTPOS. Perhaps that was in a different context.

Dr Taylor—Without seeing the methodology that is applied, it is difficult for me to comment. Although I am familiar with the spatial information system at Adelaide that produced this information, to be able to make any comment the data and actual analysis would have to be looked at. All I can say is that there are 854 discrete Indigenous communities that do not have a building in the form of a community store or administrative building that could house such a facility—unless it is standing alone somewhere in the bush—and that there are 947 Indigenous communities with populations of less than 200, amounting to 22,000 people.

Prof. Altman—Is the ABA suggesting that the figure of 200 is a critical mass in terms of providing a facility; that, if it has less than 200, a community should not have any expectation of having access to banking services?

CHAIRMAN—I suspect they are suggesting that that is the break-even point or whatever where a facility might be provided. We did not ask them that question.

Prof. Altman—It seems very hard to get a figure on what is break-even, especially on turnover.

CHAIRMAN—You refer to low levels of English literacy and numeracy increasing problems in accessing bank services. We might connect that with—it was interpreted as such on Tuesday night by Family and Community Services—the problem that Indigenous communities have called ‘low levels of financial literacy’. Do you have any suggestions about how that can be overcome—apart from by education and perhaps through there being a particular focus maybe at schools attended by Indigenous children on financial management?

Prof. Altman—There are two issues here. One is face-to-face banking, where obviously anybody who has difficulty with literacy can get assistance. In some ways the major shift—which is what I was trying to suggest—to electronic banking or phone banking makes those sorts of issues extraordinarily difficult for people. It is not just a matter of financial literacy; it is also a matter of what language you communicate in in many situations. But obviously the issue of financial literacy education is important. Sure, doing it through schools would be a possibility; but it also has to be targeted at adults. The fact is that a disproportionate number of Indigenous adults have never been to school. That is partly why you have these problems with literacy and numeracy, which are problems that obviously translate to financial literacy and numeracy.

CHAIRMAN—Your submission refers to the Tangentyere facility, which was also referred to by FACS the other night; they were hailing it as a quite successful innovation. What experience and knowledge do you have of it and what comments can you make about it?

Prof. Altman—Tangentyere is a pretty well-known Indigenous service organisation which looks after town camps in Alice Springs, but it also looks after a lot of Indigenous people who visit Alice Springs from the communities in the hinterland. So it has a fairly significant service population. Basically, my understanding is that it struck a partnership with Westpac to have electronic and face-to-face banking at Tangentyere to service Indigenous clients. I am a bit hesitant to say a huge amount about it because one of the witnesses who will appear after me, Siobhan McDonnell, has just completed an evaluation of that trial, so she might be able to say a little bit more than I can.

Certainly everybody is hailing the Tangentyere model as something that appears to have been very successful but, being a rigorous social scientist, I like to see the evidence before me of what this actually means in terms of the clients. I think one of the things that Siobhan has done in terms of her methodology is interview the clients and ask them how they are finding the service. Much of the emphasis on the success of this trial—which I think FACS and maybe Centrelink would be referring to—is on the fact that there has been a shift from providing clients with cheques to using electronic banking. From their perspective, that is a lot more cost effective, so they would see it as a success in that sense. What we need to know now is how it works with the clients. Tangentyere is a little bit unusual because it has pretty significant infrastructure. On the site where you have the banking facility you also, for instance, have a store, so there is a nice and sympathetic nexus between the operations of the store and the banking facility. People are able to take out some cash and do some shopping et cetera, and there is encouragement to save and so on.

CHAIRMAN—One of the features they saw as very positive was the capacity Indigenous people had to put a proportion of their cash into an account that could then be drawn down only in the form of vouchers for shopping. That was then isolated from the—what was the term they used?

Prof. Altman—Other demands?

CHAIRMAN—Yes, and from the extended members of the family making demands on the person for cash. It was called ‘humberging’, but there was also a more formal term they used.

Prof. Altman—The fact that people can quarantine some resources for purchases of basic goods and services is very positive. Again, those are the sorts of things that I think we can do quite readily through budgeting—unless we have a drinking or gambling problem—but they are not so easy for Indigenous people to do because a big part of their social capital, their social networks, results in people having enormous demands placed on them to share cash very readily. I think that is a very positive feature.

CHAIRMAN—And I suppose it is not seen as paternalistic because it is something they actually do themselves; they make the decision to put the money there and have it isolated in that way.

Prof. Altman—I think it is an outcome of a fairly long discussion that was held in Central Australia. There was also historically a suggestion that people get things like food stamps et cetera, and this was seen as being a much more positive way of dealing with the issue of quarantining some resources for essential expenditures.

Senator WONG—To encapsulate it, the first part of your submission is essentially saying that, because of who Indigenous people are, where they live and the social and economic disadvantage they already experience, the withdrawal or reduction of financial services in regional Australia is going to disproportionately impact on them.

Prof. Altman—Yes.

Senator WONG—Not only has there been a reduction in the level of service, particularly face-to-face banking services, but there is increasing reliance on other forms of transaction

services such as EFTPOS and ATM. How does that particularly impact on Indigenous Australians?

Prof. Altman—One of the chapters in the report we have provided as an exhibit is from work we did for the ACCC. It highlights some of the potential problems with EFTPOS facilities where traders hold people's—

Senator WONG—This is the book-up thing?

Prof. Altman—Yes, this is the book-up stuff. Obviously that makes people even more vulnerable; although we do say in that report, which is based on fieldwork undertaken in Central Australia, that this is a problem that often has what anthropologists term 'Indigenous agency' involved. It is not that people are being forced to participate in this sort of activity, but their lack of financial literacy probably leaves them vulnerable to being exploited—for instance, with unreasonable service fees or being required to spend a certain amount at a store when they make a transaction through EFTPOS. Again, we are quite used to being required to spend a minimum of \$10 or \$20 when we use our credit facilities—our plastic—but when that figure is set at \$100 or \$200 and your income is only limited to a pension cheque or a CDEP scheme payment, that can be a very significant proportion of your fortnightly income. Often the problems people have with financial budgeting over a fortnightly cycle are exacerbated by the need to draw cash through EFTPOS facilities like that.

Senator WONG—How should that be dealt with?

Prof. Altman—It depends on how much money you want to spend fixing it. Obviously, face-to-face banking and having those sorts of facilities would be useful. For instance, in many Indigenous communities Australia Post used to have a banking facility for people. They used to have post office savings bank accounts, which people, despite difficulties with financial literacy and numeracy, seemed to be able to use quite effectively. I do not know if you are old enough to remember having those lovely little passbooks where you would actually go into the branch, your deposits and withdrawals would go in, and people would know exactly where they stood. Now, particularly without an ATM facility in the community, you do not know what you have in your account.

Often, when Indigenous people do the shopping and swipe their card for EFTPOS, they are told they have not got the money to pay for what is there. This is where you end up with people either booking up or else returning things to the shelf until they are in a position to actually afford to pay for things with the credit that is on their card. One should not get too emotive about this—sometimes it is embarrassing and sometimes people just see it as their modus operandi—but it seems to me that we must have better ways to assist people to access their cash incomes than having them go through those sorts of processes.

Senator WONG—Is there an issue with the provision of financial advice? The existence of a bank or a face-to-face service may enable some financial advice to be given which is not available in the sorts of electronic transactions that we are talking about.

Prof. Altman—Yes, I think there is. Indigenous people often say that they want that sort of face-to-face banking. It is not dissimilar to some of the issues that, for example, older people who are not electronically literate face when they do not have options in terms of banking

services. People are not necessarily very comfortable with those sorts of services. Face-to-face banking can assist people enormously. For instance, you see—and I am sure Reconciliation Australia will talk about this—organisations like the traditional credit unions opening branches in Aboriginal communities and providing that face-to-face service. Again, they are still only credit unions, so we are still only talking about assisting consumer banking. They are not in a position to help with business finance and business advice, which is also sorely lacking. John, do you have any more views on that?

Dr Taylor—No.

Senator WONG—One of the other issues I want to talk to you about concerns the impact of the lower levels of telecommunications services into Indigenous communities and how that might impact upon their ability to actually engage in different forms of banking. Could you comment on that a bit more?

Prof. Altman—When I was preparing the opening statement this morning, it occurred to me that if I am sitting in my office and want to find out what my financial position is, I can access my account through the Internet, pick up the phone or go to the bank. I have a lot of options. I can go to an ATM, press the buttons and ask what the balance is. We have gone through various stages in the level of sophistication of accessing our accounts, but telecommunications is an enormous problem for remote Indigenous communities. Again, there are problems with individual households actually having phones and gaining access to phones. Without getting too deeply into the Telstra debate and what it is delivering out there in rural and remote Australia, there is obviously a problem for Indigenous people in terms of phone access. That just exacerbates all those other problems that we have alluded to.

Senator WONG—Your solution to this in your paper is to have a CSO imposed on the banks. Have you considered what form that would take and how it would actually be implemented?

Dr Taylor—There is something ironic in some of what we are saying here. Many of these communities have never had banking. It is not so much a withdrawal. What we are talking about is a rollout for the first time.

Prof. Altman—Some have seen a withdrawal, though, I think.

Dr Taylor—Some.

Prof. Altman—For instance, a place like Maningrida has gone from having a bank branch to now having the TCU. You raised the question of whether a credit union—an Indigenous credit union—is as effective a facility as a bank branch. Community service obligations are tricky things. I realise that one only has two options really. One is moral suasion, which is trying to persuade the banks that in the longer term it will be good for business to look after the least advantaged people. Or governments can legislate, as they do in the United States, in terms of community service obligations. Certainly there seems to be a great deal of opposition to that sort of heavy-handed approach in the Australian context.

One of the things I think I said earlier that I was not very clear about—and it does not seem to be very publicly well known—was the break-even point for a bank branch in terms of banking

turnover. There are certainly Indigenous communities that I am aware of that have turnovers of tens of millions of dollars in the community. One would have thought that, on that sort of turnover, it would be viable to open a bank branch. But there is not a bank branch in the particular community I am thinking of. I have a fairly good knowledge of what is actually flowing through that community. I wonder whether the issue is just one of viability or whether it is one of profitability. I was interested in some of the evidence given just before we came and the issue of cross-subsidisation. I would have thought that there may be potential, with banks making record profits, for some cross-subsidisation of remote localities.

But, as I said at the end of my opening statement, I am not sure that governments should not play a role here as well. In my presentation, I was alluding to a lot of background factors and legacies that are there in terms of Indigenous populations and how some of those things need to be fixed as well so that a lot of these remote communities are looking more financially viable and people are earning more income to make it more attractive for banks to be located there.

We are at an interesting juncture at the moment. There is no doubt that over the last decade we have had withdrawal of banking and financial services from a lot of regional and remote areas. In some ways one would almost think that is going to be a link to the decline of the populations and their economic significance to the nation. That is not a view that I share. The demographic evidence I see suggests to me that, certainly in terms of Indigenous populations—and John can say more about this—you are in fact going to see both a growth in the Indigenous population in these areas and a growth in their relative significance as a proportion of the population. Some of these areas that in 2002 look economically very marginal may in a decade or two look economically very valuable in terms of new industries. We need to be a little bit strategic, thinking ahead to what these places might look like and what sort of financial services they might require in the future.

Senator WONG—Your comment about this is more about rollout than withdrawal, although some of the latter exists. That is more a function, is it not, of the fact that these communities have not been well serviced at any time?

Prof. Altman—Yes.

Senator WONG—So it is a function of their continuing disadvantage.

Prof. Altman—Yes.

Dr Taylor—The legacy is no banking. We are in the business not of trying to reverse a declining trend but of actually creating a trend. I would like to add to some of the comments Jon made. The two points I was anxious to get across to this committee were these. There is a discrepancy between, on the one hand, what Jon just described as a growing population, and a population that will increasingly represent the majority population in these regions, and what is somewhat contrary to the picture Jon is painting, although I would not disagree with what he said. If you look at this from the banks' point of view, and if it is about profitability—and the previous inquiries into the banking sector would suggest that that is certainly part of the calculation—it is salutary to consider this. We have done some calculations of gross weekly personal income of Indigenous people across these regions. Just imagine from a banker's point of view what sort of dollars we are talking about here for personal banking. I am not talking

about commercial banking now. Across the whole of remote and very remote Australia, total gross weekly personal income for Indigenous Australians is \$12 million.

Prof. Altman—Weekly?

Dr Taylor—Gross weekly. When that is set against the places where the banks are all retreating to, the major cities and the inner regional areas—in other words, not rural, remote, regional and so on—gross weekly turnover is \$7 billion. If I was a banker and I was looking at that vast map of Australia, I would be thinking, ‘Well, there are an awful lot of little places there and they are very far away. Is it really worth my while to go out and try to garner that \$12 million weekly in personal accounts and manage all the difficulties with them?’ That is the context we have to think about in terms of CSOs. As a banker—not that I am—my calculation would be to leave alone; what is it worth?

Senator WONG—You do not need to be a rocket scientist to work that out.

Prof. Altman—Just to show that academics have a diversity of views, though, I would certainly think that, if a bank was willing to demonstrate appropriate community service obligations in relation to these sorts of populations, it may find that it has a spin-off benefit in terms of its other business elsewhere and its licence to operate in other locations. We have analogies here with the mining sector and some of the leadership one has seen in the mining sector from companies like Rio Tinto. Rio Tinto have made very positive mining agreements with Indigenous communities that go beyond what they needed to do, and it has served them in very good stead in terms of maintaining competitive advantage against other mining companies. One could certainly see one of the banks showing some leadership in this area as one of the big four. You could certainly see them using that in a very positive way to promote their other business. Frankly, it surprises me that none of them are doing it, although one of them seems to be trying to make inroads into the Indigenous sector in both philanthropic and other service provision ways.

CHAIRMAN—We had evidence yesterday in relation to rural transactions from the Department of Agriculture, Fisheries and Forestry, or maybe it was the Department of Transport and Regional Services—one or the other. I think they said there are now 65 rural transaction centres operating and about another 60 that are in the stages of being rolled out. How many of those serve Indigenous communities and how effective have they been in providing for the needs of Indigenous communities in terms of financial transactions?

Prof. Altman—I am not aware of precisely how many are in Indigenous communities but I know of Indigenous communities that are in the process of getting RTCs. Frankly, I think it is very early days to evaluate how effective these have been. Most RTCs that I am aware of are building shells that are a form of infrastructure for financial, banking and other service delivery agencies to locate in. It seems to me that an RTC will only be as effective in terms of banking and financial services as the operator you can get in there. Again, I guess we are just going back to the fact that if you can get a bank branch into an RTC it would probably be very positive, particularly if it can provide some business advisory services and access to business credit. But if it is a credit union or giroPost or an ATM, for instance, then it is not going to make a huge difference to the economic development potential for that community.

CHAIRMAN—All right. On behalf of the committee, thank you for your appearance before us this evening and for your very comprehensive submission. That was very useful for the committee's purpose. I am just sorry the division bells have kept ringing in the House of Representatives and we have not had all our colleagues from the House here to participate.

[7.27 p.m.]

AARONS, Mr Brian David, General Manager, Reconciliation Australia

ELU, Mr Joseph, Director, Reconciliation Australia

McDONNELL, Ms Siobhan, Project Worker, Banking and Financial Services, Reconciliation Australia

CHAIRMAN—Welcome. Do you have any comments to make on the capacity in which you appear?

Ms McDonnell—I am also located at CAEPR, the Centre for Aboriginal Economic Policy Research.

CHAIRMAN—The committee prefers that all evidence be given in public but if at any stage you wish to give some evidence in private you may request that of the committee and we will consider your request to move in camera. We have before us your written submission, No. 120. Are there any alterations or additions that you wish to make to the submission?

Mr Aarons—No.

CHAIRMAN—I invite you to make a brief opening statement, at the conclusion of which we will move to questions.

Mr Elu—Thank you. Reconciliation Australia, together with ATSIC, ran a banking and financial workshop in May of this year, and the basis for our submission is around what we found at that workshop. All and sundry who we thought would make a valuable contribution to that workshop were invited. The workshop was basically to look at ways and means of enhancing access to banking facilities in remote rural Aboriginal and Torres Strait Islander communities and, in the case of urban metropolitan areas, of making banking more user friendly to Indigenous people within the cities and major towns. The recommendations that were forthcoming from that workshop are in our submission. We will talk around them, but if you want to ask specific questions on the recommendations we will endeavour to answer them. The directors of Reconciliation Australia are just picked; we are volunteers and we do not get paid. Most of the work is done by staff, so I will be referring to staff more often than not.

We have seen the submission by the ABA, and we also made a point of being here when they were giving their oral submission to you. They talked about 32 new centres opening up in remote rural areas. There are 300 remote Aboriginal communities out there which have no banking facilities, and it looks as though we will never have banking facilities. In my other work I run another government corporation called Indigenous Business Australia. We try to do major business out there in the remote rural areas, and we find it very frustrating not to have banking facilities close to people we employ out there.

Personally, I come from the Torres Strait and have lived there almost all of my life, and the lack of banking facilities up there borders on being funny. You asked the man from ABA about different fee charges. It is a fact that in the Torres Strait the National Bank were charging higher interest fees. The reason they gave for that was that, because people could not get insurance for their dinghies, the bank were stacking on a couple of interest points for personal loans. But we have clarified that. It was only found out by a federal government agency called TSRA. But banks have been known to do that where I come from. Personally, I have had problems getting credit cards, and banks always told me that I did not have a history with banking. I came down to be a commissioner with ATSIC, I had a \$70,000 job and I could not get a credit card. They said that it was not personal, that it was not racial but that it was just because I did not have credit history. But that will happen to all kids being born in those places right now. It will keep on happening, with banks folding up in urban centres and rural centres, and those Aboriginal and Torres Strait Islander communities will have no hope of ever getting face-to-face or even substandard banking facilities. Unlike other town people, Aboriginal and Torres Strait Islander people will not move away from their towns and communities. It is their home and they are there to stay.

I believe that banking should be made an essential community service. In our submission we have made reference to Canada. I have done two tours of Canada, looking specifically at banking and insurance, and they have treated banking very differently over there. We noticed that the ABA's submission said that Canada is a comparable country to Australia in the provision of banking, and we found that the banks over there have taken a very different attitude. They have seen Indigenous people over there as potential clients. They have seen mining, gas and oil settlements as being potential business for them, and they have gone out of their way to seek Indigenous business.

The Bank of Montreal went so far as to set up an Indigenous bank within the Bank of Montreal's facilities and to appoint an Indian to run it. He started off with a \$50 million banking facility and I think it is now up to \$1 billion. They have made the banking association go into schools and push for the inclusion on the school curriculum of banking and financial education. This started off being only for Indigenous kids but is now used by schools all over Canada to educate everybody on financial and banking issues. Like I said, it is a tool that will be used by capitalist countries to build their societies. On 4 December I am appearing before the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs inquiry into capacity building in Indigenous communities. I will say to them that unless we have banking facilities it is no use talking about capacity building. Banking, hospitals and all of those services are essential tools that communities need to survive. If those are not there then the basic tools of life are being denied to people. Like I said, if those people from Aboriginal and Torres Strait Islander communities do not move away then they will die there; they will get less of a service.

Going back to our submission, there are some recommendations coming out of that workshop that are fairly easy to implement and which may not cost any money. For example, the committee which runs the RTC has no Indigenous participation. I heard Professor Jon Altman saying that they are talking about putting RTCs into indigenous communities; I do not know who is advising them of how to go about it. There are other recommendations from the workshop which are very easy to implement and can be done without too much cost. I think it is the attitudes which need to be changed.

If we go to the American example, we can see that banks are given certain rules and regulations which they must perform, not only in Indigenous communities but also in underachieving sections of the wider American community. If they do not perform to certain standards, they lose their charter. Regulatory bodies are very strict on that. We have been talking to Westpac about what they are doing up on the Cape, and that was one of the talking points at that workshop. If you look at the communities they are targeting, you see that they are communities where there is mining and mining settlements around them. So they are targeting communities which have the potential to have more dollars than other communities, which are not so fortunate as to have a bank next door to them. I will now hand over to Brian to make a statement.

Mr Aarons—Firstly, as the General Manager, I should apologise for the absence of our two co-chairs, Jackie Huggins and Fred Chaney. They would have liked to have been here, but one of them is based in Brisbane and the other one in Perth. Fred is actually on other business in the far north of Western Australia. Secondly, we see this issue—and other ramifications of it—as essential to the reconciliation process, which all parties in this parliament and the vast majority of Australians say they support. This is one example of a number of the projects which, in the short two years that we have been running, have been developed by Reconciliation Australia to give a tangible expression to the term ‘reconciliation’—to actually deliver outcomes which improve the lives of Indigenous people, which is one critical element of reconciliation.

I would like to re-emphasise the point that Joseph made that most of the recommendations that we are putting to you on this very specific part of a much more general issue are reasonably simple to implement and could be relatively easily implemented by the government or the parliament. Others of course would require goodwill from banks and other financial institutions. All of them are put forward in the spirit of finding solutions together.

I think it is worth saying that the workshop that Joseph talked about aimed to attract about 60 people initially. In the end about 100 people came from very key stakeholder organisations: all Indigenous peak bodies, including Joseph’s own and ATSIC, a number of other Indigenous organisations, Indigenous credit unions, such as the Traditional Credit Union, all the major banks, the ABA, the Financial Planning Association and others. There was a lot of goodwill in the room. I think that when people first came—for example, some of the banks and financial institutions—they thought that maybe they were just going to be set up and shot down. That did not happen, and after half a day or so I think there was a big breakthrough.

I am simply making the point that that workshop demonstrated that you could in fact bring people together, often from very different starting points and understandings, and talk about the problems. While we are not saying that it is the role of this committee or its findings to do that, it is worth making the point, and noting the point, that this workshop demonstrated a number of things. We note, for example—which we do not at all begrudge and in fact are flattered by—that the submission by the Department of Family and Community Services has picked up a lot of the material from that workshop and included it. That is fine.

Speaking for Reconciliation Australia, we see ourselves as facilitators. All the major parties—the government, the opposition and the Democrats—were invited to address the workshop and did so. That is the way Reconciliation Australia tries to work. The workshop was so successful that we have an ongoing project and, within very limited resources, are trying to progress some of these issues. This submission, in one way, is an expression of that. Obviously

it is going to require the ongoing cooperation of the participants, in particular the big banks and the other major financial institutions. We have established a steering committee for this project which had a teleconference a couple of days ago. We will be having a face-to-face meeting in a few weeks, and then a wider reference group will be brought together in which each of the major financial institutions, Indigenous organisations and other players will be represented. That is how we are trying to continue with this.

Clearly this inquiry was established across the whole community, as it were. But it would be very important if this inquiry recognised that there was a specific subissue to the issue which is even more crucial for a particular group of people—Indigenous Australians. I think that is enough.

Ms McDonnell—I would like to start by answering the question that you asked Jon Altman about the number of rural transaction centres out in Indigenous communities. You will see that in our submission there is quite a detailed section on rural transaction centres which lists the kind of engagement of rural transaction centres in Indigenous communities. I think it is a particularly important initiative at an Indigenous community level, in the sense that it is one way of managing to get some form of banking and financial services out to communities. On page 10 of the submission, it states:

... of the 290 approved or prospective RTCs, 36 were located in Indigenous communities.

That is included in table 2 in the appendix. We follow that with two recommendations. The first one argues for a regionalised model of rural transaction centres so that you can have a single transaction centre for a range of different communities. A lot of service delivery is regionalised out in rural and remote areas anyway. The second recommendation—again, this has already been mentioned—is to have an Indigenous person on the advisory board. We think that is a particularly important initiative.

There are a couple of other points I would like to make. The first—and Joseph has said this already, and I am sure that Jon and John have made this point as well—is that we are not talking about the removal of banking services from these remote communities; we are talking about the fact that there are no banking and financial services. In most communities what you have is an EFTPOS facility in the community store. That can create a range of associated problems. There has been a big push from Centrelink to move people from cheque based to electronic based payments. I have just completed a body of fieldwork in Central Australia which shows that approximately 60 per cent of Indigenous people in that region have been moved from cheque based to electronic based payments. That has advantages for Indigenous people. It allows them a degree of mobility that they do not have with a cheque—because if you are receiving a cheque you need an address—but there are also a range of disadvantages.

There are problems with fees that are charged on electronic banking services, there are problems with cards being lost and broken. You can imagine the problems with damage to plastic cards when you live in the middle of the desert. All of those problems have time lapses associated with them. If you want another card you have to get it sent out to you. If you want a PIN number then, if you are lucky, it is sent out to you. I was in a community a couple of weeks ago where I listened to an Aboriginal woman trying to organise a PIN number. She was being told by the call centre operator, who was located in Tasmania, that she should go to the local bank branch to have her PIN number placed on her card. That branch was in Alice Springs,

which was 11 hours drive away. So there are major structural problems in accessing these kinds of facilities.

Another problem with keycards—there are a number of them—is that some of the types of accounts that people are signed on to with a card have what is almost an overdraft facility built into them so that you can go beyond the amount of money that goes into that card. Out on a remote community if there is only EFTPOS a lot of people will just use that card until it runs out of money, so they will be using the overdraft facility possibly without even knowing that it is there. And the fees that are charged on top of that are phenomenal—it is a \$35 or \$45 fee. If you have a welfare payment of \$200 or \$240 and you have \$45 taken out of that, instantly you can see the kinds of problems that is creating. Some of the banks in Central Australia have acknowledged that problem and are beginning to look at it, but it is a considerable problem.

Another problem that is often spoken about is various store owners, taxi drivers, used car salesmen et cetera holding onto people's keycards and PIN numbers. There was an infamous case of that earlier this year reported in the newspapers—a publican was holding onto keycards and PIN numbers. It is hard to gauge how widespread that practice is, but I have definitely verified certain incidents of that occurring. Again, it is the problem of using some kind of collateral to access services. This takes you back to the basic problem. Indigenous people have limited access in general to banking and financial services, not just because there are no services on the ground, but also because there is a gamut of other kinds of concerns: low levels of literacy, language barriers, unreliable or non-existent phone and Internet access, problems with proof of identity requirements, little or no savings history, general low-income status and problems with providing collateral for loans. They are like a nexus of factors that impact upon some people. You have heard Joseph's account of being on a \$70,000 salary and not being able to get a keycard or a credit card.

To take Canada again as a comparison, Joseph has already spoken about the range of initiatives that are going on in Canada. There are banking and financial services available at branch level in remote communities. There is an extensive on-reserve lending program, for which the Canadian Bankers Association have drafted the guidelines, that is lending to aboriginal people so that they can have houses despite living on aboriginal land. This is a major issue in Australia as well. There is extensive access to aboriginal specific royalty funds and aboriginal employment projects and there is quite a large financial literacy program. I am happy to answer any questions on the recommendations that are put forward in the submission.

CHAIRMAN—Thanks to each of you for your introductory statements. In relation to RTCs, you say there was the perception that regional RTCs were not allowed, but then you say that the advisory board confirmed that in fact regional applicants are accepted. So what further needs to be done to encourage the development of regional RTCs, and can you clarify what you mean by a regional RTC? Are you talking about an RTC that would be in one location but would serve a wider regional community and, if so, how does that overcome the problem of distance? Or are you talking about what I think is operating on a limited basis—mobile RTCs? What is the potential for mobile RTCs or mobile banking facilities of some other type?

Ms McDonnell—They are interesting questions. Again, I can only speak from experience in Central Australia, although I know a little about the RTCs that have been put in place in the north of the Northern Territory, most of which operate with the Traditional Credit Union. The regional model that has been discussed is this idea of a service centre being based in one of the

larger communities and then servicing a range of the smaller communities around it. For example, you could have an RTC being located in Yuendumu—which is a reasonably large Aboriginal community—and servicing a range of communities around it. Yes, there would be a problem of distance, but it would be far less than the distance you would need to travel to get to Alice Springs to access a similar type of service. The Tangentyere Council, which is the council that services the town camps around Alice Springs, is very keen for a roll-out of an electronic version of the kinds of bank agency they operate in conjunction with Westpac in their council office at the moment. I am unsure of how they envisage that working, but that is detailed in one of the papers that was presented before our workshop.

The issue with regional RTCs is that, while it has been said that they will be put in place, I have not heard—and this is something you might have to seek clarification on—of that model actually being pursued in a proactive way by RTC project officers on the ground.

CHAIRMAN—I noticed your reference to the role of the Traditional Credit Union in supporting small businesses in Indigenous communities. But I also saw a reference that the typical interest rate charged is 14.75 per cent, which seems to me to be relatively high, particularly for a credit union. My understanding is that generally a credit union pays depositors a slightly higher interest rate than banks but lends out at a slightly lower interest rate because they operate on a cost-plus basis—they do not have a profit component in there. That seems to me to be a high interest rate, particularly where you are trying to encourage businesses to get going.

Ms McDonnell—It is a high interest rate; it is higher than commercial levels. I do not want to speak for the Traditional Credit Union, but I understand that their rationale for that is the cost of providing those services at a remote community level. They operate in a way that is financially viable. It comes back to this issue of commercial viability. They operate in very remote communities. They provide banking services for Aboriginal people from mainly Aboriginal staff. They have a network of nine branches, and they have started using the RTC model as well. They do charge higher interest rates; they also charge higher fee structures than you would normally expect. The rationale they express for that is that it costs a reasonable amount to provide services in that way.

CHAIRMAN—If they have to do that, is it reasonable to require commercially based banks to meet some community service obligation? If the Traditional Credit Union has to provide the service on a more costly basis because of its operating costs, is it fair to say to the banks: ‘We know the costs are greater out there, but it is your obligation; you have to do it’?

Ms McDonnell—I think that is why you have to look creatively at a range of different models. Banks are making commercial decisions that they are not prepared to operate in rural and remote Australia for a variety of reasons. We know that there are different standards of commercial viability. We know that, where banks have removed themselves from communities, there are other agencies like the Bendigo Bank that are prepared to operate. So there is obviously a range of different standards. The issue then is: how do you get services out there? One of our recommendations is that, rather than having banks provide services at a face-to-face level out in rural and remote Australia, they should have some kind of incentive structure for on-lending to organisations like the Traditional Credit Union to provide those types of services. It takes a range of skills to provide services to a different client base. This is not a one size fits all model. The model that we are advocating is something like the Community Development

Financial Institutions Fund that operates in the US, where financial institutions are given a range of incentives—financial and otherwise—for providing an on-lending type service to specialised organisations that operate in specific communities. That is not just in native American communities; that is a whole range of communities that specialise in various forms of financing.

Mr Elu—Regarding what I said about the Bank of Montreal, they got over it by creating a section of the bank which employed Indian people geared to work in the Indian areas. For a while they charged above normal interest rates, then it flowed back. The Montreal network caters for people when they come off the remote communities, but while they are in there, the Indigenous banking facility caters for everybody, including people who are up there mining who are not Indigenous. Now it is just part of the Bank of Montreal providing a service that they have put their stamp of approval on. It could be done in Australia but, like I said, commerciality prevents our banks from ever doing anything like that.

CHAIRMAN—Are there any microcredit projects among Indigenous communities in remote areas?

Ms McDonnell—In an Australian context?

CHAIRMAN—If so, can you give some details on them?

Ms McDonnell—I wrote a paper on microcredit financing in 1999 looking at the replicability of a Grameen Bank style microcredit agency in Australia. I think there are a number of impediments to that, but there is a project being trialled at present in what is called the Northern Rivers region—it stretches from Gosford up to Coffs Harbour. It is being funded by ATSIIC and is looking at the provision of microcredit. There are two different ways of using the term microcredit. One is to lend small amounts of money with some kind of peer group lending structure. That is a structure where people are lent to as a group and are held mutually accountable for each other's loans. The second version of the term simply amounts to lending very small amounts of money. The people who operate in the Northern Rivers region are doing that. The Traditional Credit Union, too, lend very small amounts of money, but they do not lend it for business purposes—although they have just started a project with ATSIIC which may do that. The major reason that they actually give out loans is for consumer purposes. They lend amounts of about \$1,000 to \$2,000 up to \$5,000 to people throughout remote communities to invest in things like cars, boats, fridges or other white goods.

Senator WONG—The Chairman asked a question before about Tangentyere, and we were referred to you as somebody who could perhaps talk to us a bit about that experience—I know you have talked about it a bit in the paper—about how successful it was and about the possibility of replicating that or using that as a reasonable model.

Ms McDonnell—I have just completed the fieldwork for that. The report is not due out until March and I do not want to pre-empt that evaluation too much. Having said that—

Senator WONG—You can give it with a caveat.

Ms McDonnell—Pending future work, here we go. It is a very interesting model. It is one of the things that we have labelled a kind of best practice model in the sense of being at the forefront of trialing different initiatives in relation to Indigenous people. For a range of reasons

that are expressed in this paper and elsewhere—for all the reasons you would use for the population more generally—we think it is very important to maintain face-to-face banking services specifically in relation to this group. What does the Tangentyere bank agency do? It operates like this: it provides face-to-face banking services and includes a food voucher program, so you can put aside a certain section of your welfare payment so that you can have food. There is a feast and famine cycle that plagues a lot of Indigenous communities. Welfare payments come in and people spend up big, and for the last four or five days of the cycle there is just no money in the community. There are major problems associated with it, like child malnutrition. If you are interested in reading more about that, I direct you to Neil Westbury's work; he has done a paper with John Taylor as well.

The third part of the trial was a weekly payments trial—again, trying to ameliorate this feast and famine cycle by moving people from fortnightly to weekly payments. There have been problems with that trial as well, but the Department of Family and Community Services are thinking about extending it out through Central Australia more generally, which is one of the things I have been looking at too. The final aspect of the trial was a kind of extensive financial literacy program—that is, a program designed to aid people in the transition from cheque based to electronic based banking. It included an Aboriginal financial counsellor sitting down with people and speaking to them in language about how to use a keycard and how to use an ATM facility. That aspect of the trial has been very successful. Of the 571 people who have been moved since the trial started, which is a year—I think that is the number, but you can check that in the paper—Tangentyere fielded only 11 complaints about lost cards. That is quite remarkable when you look at community levels in general. So, at face value, that looks reasonably successful.

What concerns me about the way Tangentyere is operating is that it seems to be a kind of cost-shifting arrangement. The types of clientele that Tangentyere is left with are the clientele whom it would be very difficult for the mainstream financial service providers, including Westpac, to service. I sat in the bank agency for a couple of days. It takes most people in front of the tellers at that agency five or 10 minutes to complete a transaction. A lot of people have very low levels of literacy, and there is a lot of aged population. They are now dealing only with people who cannot be shifted onto electronic banking, so you are seeing the kinds of population we imagine will never be able to shift onto electronic banking. This is a key: I do not think this can be an across-the-board shift. You have a very aged population, you have people with very severe disabilities and you have people with very low levels of literacy who are all being serviced by Tangentyere at quite an extraordinary cost to Tangentyere. They choose to maintain that service because they think banking and financial services are so important to the clientele. Whether that is necessarily a good arrangement in general remains to be seen.

CHAIRMAN—Does that mean it is only that group that can also use the food voucher facility, for instance?

Ms McDonnell—That is correct.

CHAIRMAN—So others who are sufficiently literate to move onto the electronic banking system lose—

Ms McDonnell—They lose the capacity to use the food voucher system. That is something that Tangentyere themselves are very concerned about.

Mr Elu—Hence my argument about getting the ABA to try and foster banking and financial education through the normal schooling curriculum, which has happened in Canada. It was an initiative of the banks. They funded it, they put a lady educator into their ABA to write a curriculum which they then gave back to the education department to put through their schools for Indigenous kids at first, but now they are using it for everybody in Canada.

CHAIRMAN—Also, it may need the commercial banks to be persuaded to provide the food voucher facility, for instance, if there is a group that is moving off the Tangentyere process onto the normal banking facilities.

Ms McDonnell—I do not know how that would work.

Senator WONG—This pilot project was a bundle of initiatives, wasn't it? It was not just the food vouchers.

Ms McDonnell—Yes, it was a range of initiatives.

Senator WONG—I presume the evaluation is looking at—

Ms McDonnell—The evaluation is looking at the Tangentyere bank agency specifically, but it is also looking at banking and financial services throughout Central Australia more generally.

CHAIRMAN—Has the Tangentyere project assisted people in becoming more financially literate? Has that been part of it?

Ms McDonnell—Yes.

CHAIRMAN—So it is the project itself that has got them from using that facility to using normal banking facilities, isn't it?

Ms McDonnell—Yes, for a chunk of the clientele. There is a large number of people around the Alice Springs area who just use banks along with everyone else. There are two banks who are very prominent in providing services to Indigenous people and another two who are not very prominent at all. One of the things that I will be writing in my report and that I am constantly encouraging Indigenous organisations to do is to include in their tendering process for financial services a caveat about banks actually providing financial services to Indigenous people. In addition to what John Taylor was saying about the level of people's incomes in rural and remote areas, there is a number of Indigenous organisations around Central Australia that have reasonably large annual budgets, particularly in the Alice Springs context. One of the ways they should be using the leverage from those budgets is to look at better provision of banking and financial services to Indigenous people in remote areas.

CHAIRMAN—In your experience—or in any of your experiences perhaps—have you come across any examples of the front counter staff of banks acting inappropriately or unethically in terms of the information or advice they give to Indigenous customers, such as where they should put their money in terms of basic deposit products and so on?

Ms McDonnell—No. I have not experienced anything like that. I have not spent large amounts of time looking at the way banks behave. The only thing that is of concern to me, as I have already said, is people being signed on to accounts that are not basic bank accounts. The ABA has a stipulated basic bank account that is supposed to be utilised by low-income groups in general. It is a matter of concern that people are not being signed on to that product but are being signed on to another product.

Mr GRIFFIN—How is that happening?

Ms McDonnell—I do not know. You would have to ask the banks. My understanding is that people are being signed on to a product that, as I said, has an overdraft facility built into it and that that is creating a range of problems in terms of fees that are charged.

Mr HUNT—Are there significant differences between the fees for the basic bank account and the products which they are being signed on to in its place?

Ms McDonnell—The basic bank account does not have an overdraft facility built into it, so it does not have that problem. The catch is that once you overdraw your account you are then charged a \$35 to \$45 fee.

Mr HUNT—Are there other fees in general, not just fees for the overdraft facility? Are there other fees attached?

Ms McDonnell—I do not know. You are asking me specifics and I cannot answer them.

Mr GRIFFIN—I am going to ask you a couple more specific questions which you will have trouble answering, but I want to try to get them on the record anyway. When you say it is happening quite a bit, have you any idea, from a selection of a number of people, how many are being signed up on the basic bank account versus other accounts?

Ms McDonnell—No, I do not.

Mr GRIFFIN—Is there anywhere this sort information might be kept? Are there any financial counselling outfits that might deal with people in these circumstances, or any community organisations that might be able to survey people to check?

Ms McDonnell—You will find you have the same problem with this that you have with people making consumer rights complaints. This is something that we have written extensively about in the ACCC report, which I see you have before you. People are not making complaints, and there is a whole range of very complicated reasons for that. Partly it is because they do not know what their consumer rights are. I have just done a series of surveys in Todd Street Mall in Alice Springs asking people about the kind of fees that are charged on their accounts, only to have to sit back and explain to people what fees are. A level of financial literacy just does not exist.

Mr GRIFFIN—Obviously it would be very useful to us if we could establish what the level was, because the problem with some of these sorts of allegations is that they tend to be anecdotal. In a recent inquiry, when we raised similar issues with the banks—for example, the issue of advising clients about what account or financial advice would suit them—we had great

difficulty getting answers out of the ABA about what their members were doing about that. That in itself was a difficulty with respect to us reaching any firm conclusions.

Ms McDonnell—One of the things that might help you in this respect is that one of the banks involved in this has actually admitted that they were signing people on to the incorrect type of bank account and they have agreed to change the process. So there are public statements on the record about that.

Mr GRIFFIN—Dare I say, ‘Which bank?’

Ms McDonnell—It was the ANZ Bank in that case.

Mr GRIFFIN—Really? Was there any correspondence in relation to that?

Ms McDonnell—Yes, I believe there was some correspondence. Not from me, though.

Mr GRIFFIN—With Reconciliation Australia?

Ms McDonnell—No. It was with completely separate organisations.

Mr GRIFFIN—It would be interesting if we were able to get hold of that sort of correspondence, if that was possible.

Ms McDonnell—It was widely reported in the media in the Northern Territory.

Mr GRIFFIN—Around what time?

Ms McDonnell—Approximately five or six weeks ago. There was a range of newspaper articles et cetera. It is very much on the public record.

Mr GRIFFIN—I do not want to labour the point but how was it raised with them? How was it discovered? Did they recognise it and admit to the problem themselves or was it media driven?

Ms McDonnell—I understand that it was anecdotal evidence that was uncovered in a range of different ways. I think that one of your colleagues, Warren Snowdon, might have had something to do with some kind of media releases on the point. You would have to talk to him directly about that.

Mr GRIFFIN—In their explanation, did ANZ say that it had been a conscious policy? Giving people advice about what account is best for them can be a difficult thing to get right. Was that the case in this situation or where they were pushing products?

Ms McDonnell—I think they explained it as a mistake, but again I would direct you to their actual statements.

CHAIRMAN—There was no evidence that it was sought by the customer?

Ms McDonnell—I would just direct you to the statements.

Mr Elu—I just want to say that they would not know what to seek. Most of them are illiterate.

Mr GRIFFIN—It is the old story. I am a bit like that myself. When my manager says, ‘Well, would you like a bigger balance?’ then I say yes. On my credit cards? Yes. It seems to make sense to me.

Senator WONG—I want to move on to telecommunications services to Indigenous communities in rural and remote Australia and how their access to those services impacts upon their ability to access different types of banking services.

Mr Elu—Speaking from my experience, I am the Chairman of an organisation called IBIS, which runs stores around the Torres Strait islands for the state department handling Aboriginal and Torres Strait Islander policy. We have been the major source of providing EFTPOS facilities on those islands, so people naturally turn to us for other bank transactions.

The problem is still that they have to know what to do in order to access telecommunications, phone banking and that type of thing. If there is no outlet for information on the island or in the community, then people will make all sorts of mistakes. I have had shop managers ring me to ask me to go to the bank when people have lost money. They say they have done something with their phone banking and all of a sudden their bank accounts are gone or have very much less. The telecommunications network is improving all the time, but the problem is the knowledge of how to access the banking facilities through that network—and, of course, computer outlets on those islands or in those communities are basically non-existent. The other thing, as Siobhan said, is that when they get keycards and lose them, they ring up about it and it is a centre in Tasmania that is telling them to do something, with no knowledge of where they are calling from. So telecommunications, telephone banking and all that are there, but the problem is knowing how to access it.

Senator WONG—Are there any issues in terms of the actual ability to access the phone services within the communities you represent?

Ms McDonnell—I would like to direct you to Anne Daly’s paper, which is mentioned in the CAEPR submission on page 4. Anne Daly has written a paper looking at telecommunications implications in rural and remote Indigenous communities. The issue here, I think, is one of the digital divide: it is ever growing out in these areas. One of the characteristics of the shift towards electronic banking is that there are a range of banking services that people simply cannot access. Most people out in remote Indigenous communities, as Joseph has just said, are a long way from being able to, for example, engage in Internet banking.

Senator WONG—That paper is not a submission to this inquiry, is it?

Ms McDonnell—No; it is mentioned in the CAEPR submission on page 4.

Mr HUNT—Following up on your discussion of telephone banking as opposed to Internet banking, are there any dedicated services at the telephone banking end for people from Indigenous communities?

Mr Elu—Not that I know of.

Ms McDonnell—No, there are not. Part of the reason is that there are 230 different language groups in Australia, which makes provision in language difficult. However, there are stem languages, which are the trading languages for various regional areas, that most people will speak.

Mr HUNT—There are two potential barriers: one is linguistic and the other is expertise in the specific problems. I can understand why there are barriers at the linguistic level. Even if it were dealt with either in the stem languages or in English, you would still have to have people who understood the specific problems. But that might be a recommendation and a step which we could put forward to the banks.

Ms McDonnell—I think that would be an excellent recommendation. Despite the problems that I have spoken about in terms of the banks located in Alice Springs, they are much more aware of the issues being faced by remote communities than, for example, the banks located in Sydney and Melbourne. That is a crucial problem for people in remote communities because many models of service delivery revolve around this idea of there being a single customer or a single client. Often that never exists. This is part of what we wrote to the ACCC, that there is no single Australian Aboriginal consumer—that simply does not exist. Consumers are homogeneous and they have a range of different needs. Indigenous consumers of banking services have specific needs and they are simply not met by the basic banking model at the moment that privileges a set of norms that Indigenous people just are not involved in.

Mr HUNT—Right. So that is a suggestion which might have some benefit. It is not going to solve the language question, but my assumption is that in almost every situation there will be some members of the relevant remote Indigenous community who speak English. It might not be possible.

Senator WONG—I suppose the issue is to what level.

Ms McDonnell—Yes, to some degree. Even more important than that is an arrangement with flexibility, because there are bank protocols that simply do not apply. I think that is a tension that banking service providers in Central Australia face when dealing with their Sydney and Melbourne counterparts in general. I know, for example, that one of the banks in Alice Springs is trialling a very small microcredit model at the moment, something you mentioned earlier. It is at a very tiny stage—I think they have lent money to about 12 people—so they would probably hate me discussing it. One of the big tensions for them in rolling out that model has been negotiations with their Sydney counterparts to get an agreement to actually provide those kinds of services at a community level. Again, it is an issue of flexibility, and it is about changing the banks' minds on these things so that they recognise that there are real commercial opportunities out there as well as certain aspects of community service obligations.

CHAIRMAN—As there are no further questions, I thank each of you for your appearance before the committee and for your very comprehensive answers to our questions. It has been very good and very useful for our deliberations.

Mr Elu—Mr Chairman and other members, I would like to thank you for having us. Like I said in my opening statement, the development of Indigenous people depends on having

essential tools in those communities. If they do not have those essential tools, then capacity building will never happen.

CHAIRMAN—We understand that.

Ms McDonnell—We also wanted to present the draft version of the initial proceedings from the workshop we have been talking about.

CHAIRMAN—Very good. Thank you.

Committee adjourned at 8.22 p.m.