



Australia Post's Submission
to the Senate

Economics Committee

Inquiry into competition
within the Australian
banking sector

Australia Post
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1. SCOPE OF SUBMISSION

1.1 This Submission:

- Provides background on the role Australia Post plays in the Australian Financial Services landscape;
- Outlines the breadth of services Australia Post provides and the importance of our role as an enabler of financial services;
- Defines our expertise and the breadth of our Retail network;
- Discusses where Australia Post does and will continue to facilitate sustainable banking in Australia.

1.2 Australia Posts reason for responding:

- Australia Post is a neutral aggregator of financial services. Our market presence allows us to facilitate financial and agency services for over 750 Australian businesses and government bodies, processing around \$77billion in payments and banking transactions per annum;
- Australia Post has the largest physical distribution network that is enabled to support the financial services sector. This allows for access and thereby social inclusion for all communities across the nation.

2. Australian Financial Services: Australia Posts role

2.1 The Retail Services Division of Australia Post is an enabler of banking services:

- Australia Post operates Bank@Post a trusted, neutral intermediary service for the banking industry processing 125 million transaction per annum in the wider payments industry;
- Bank@Post provides personal and business banking services (deposit, withdrawal and enquiry) on behalf of 70 financial institutions;
- Consumer awareness of banking services at Post is developing: industry promotion of the channel has been limited;
- Without our services many communities across the country would not have physical access to basic financial services.

2.2 Australia Post has an unrivalled physical presence:

- Australia Post has 4,400+ physical outlets with 3,300+ of these outlets directly linked into Australia Post's network systems, enabling delivery of financial transactions. Of this over 1,470 of our rural and remote outlets support Bank@Post providing accessibility for customers of financial institutions in all parts of the country, irrespective of whether a financial institution has a local presence or not;
- We work with more than 2,900 small business partners throughout our licensee network. Our financial services offer provides viability to a number of these licensees in areas where they may not otherwise remain profitable.

2.3 Australia Post provides trusted, shared infrastructure:

- Whilst not a competitor in banking, Australia Post's services seek to reduce the overall cost of servicing customers for the industry through leveraging our shared infrastructure and building on our position as a trusted services provider.

2.4 Australia Post provides convenient and accessible services for financial institutions and their customers:

- Convenience and accessibility in conjunction with shared infrastructure produces cost effective customer services for financial institutions in Australia through an unparalleled retail network.

3. Specific services provided by Australia Post

3.1 Australia Post is not a bank that lends money, though we offer a broad range of retail financial services:

- Our retail services support both the community and financial institutions. These services include transactional agency banking, payments and money transfer services supported by world class identity verification services;
- Australia Post is one of the few remaining access points for banking services in many rural and remote locations and as such plays a critical role for many communities;
- Australia Post provides social infrastructure that is accessible to everyone and every institution. Australia Post is integral to large number of smaller financial institutions (i.e. credit unions) that lack distribution reach and access for customers.

3.2 Bank@Post:

- Australia Post has provided banking services for one hundred years, starting with the Commonwealth Bank in 1911. More recently, our national Bank@Post service provides a digitally enabled, neutral delivery channel for financial institutions;
- The Bank@Post platform is a generic system which provides each participating financial institution with a uniform service that delivers identical banking transactions in every digitally enabled Australia Post outlet;
- Bank@Post provides the customers of participating financial institutions with access to card-based, PIN-authorised banking services including deposits, withdrawals, account balances, acceptance of new account applications, and payment for credit card bills;
- Since April 2000, Australia Post has extended Bank@Post to support business banking with a focus on SME customers;
- As at December 2010 there were 70 financial institutions connected to Australia Post's Bank@Post network including Commonwealth Bank, National Australia Bank, St George Bank, Bendigo and Adelaide Bank, Bank of Queensland, BankWest, Citibank, HSBC Bank Australia, ING direct, CUA plus 60 other financial institutions (see appendix 1 for financial institutions supported by Bank@Post platform);
- Australia Post processes more than 23 million banking transaction per annum, including 2.7 million cheques.

3.3 Payments:

- Australia Post operates Postbillpay, a bill payment service that provides customers with simple and convenient options for paying their bills at over 3,800 retail outlets, over the phone or via the internet. Australia Post provides this aggregated service on behalf of 600+ organisations ranging from utilities to local councils to major government departments (e.g. Australian Taxation Office) processing over 125 million transactions each year;
- Our recent acquisition of SecurePay who specialise in payment based technologies will enable Post to provide market leading front and back end payment services including extended capabilities in online payments.
- Australia Post recently launched its prepaid card which allows card holders to use their cards through the trusted network of Visa

International. These cards are highly secure and controllable payment devices for online shopping.

3.4 Money Transfers (Domestic and International):

- Australia Post has a long history of providing secure, trusted, and cost effective ways to send and receive cash through our domestic Money Order service which is accessible at 3,300+ outlets. Australia Post is the Principal for the service: receiving, managing and paying out \$1.6bn of money orders each year;
- Australia Post, working in conjunction with Western Union, provides a secure, quick and cost effective way to send and receive cash to over 200 countries;
- Australia Post's customers can access a range of American Express services: travellers cheques; foreign currency; and, prepaid travel cards;
- Australia Post distributes Travelex Cash Passport prepaid travel cards which allow customers to purchase foreign exchange at a known price, and access these funds internationally through Visa connected ATM's. In addition, trials of a store-in-store concept with Travelex are underway and provide an example of how financial institutions might access our physical network to improve service standards and expertise in specific product categories;
- Australia Post provides cash rewards and disbursement services including over the counter payment of Victorian 'back to school bonus' and cash back offers.

3.5 Identity Verification:

- Australia Post provides adjunct services for financial institutions including account opening and AML CTF¹ 'Know Your Customer' based identity verification. Our shared infrastructure enables reduced costs for the industry for these processes;
- Australia Post continues to invest heavily in upgrading technology to provide the industry state of the art identity and verification services;
- Australia Post has strengthened its position as a trusted and accessible provider of identity verification services with over 2.4million identity based transactions being performed through our network each year;

¹ Anti-Money Laundering, Counter Terrorism Financing

- Australia Post also supports Federal and State Governments with a variety of services for example Department of Foreign Affairs and Trade (DFAT) with around 1.5m passport interviews per annum and accepting tax file number applications on behalf of the Australian Tax Office.

4. Our expertise and reach

4.1 Network structure:

- Australia Post offers its financial services from an Australia-wide network of some 4,400+ post outlets, providing convenient access for bill payments, money transfer, identity verification and banking to the vast majority of the Australian population;
- Post outlets can be classified into two broad categories: Corporate Offices and Licensed Post Offices (LPOs). LPOs are run by independent Licensees and make up just over 77% of the network;
- Some 3,300 outlets are equipped to directly link into Australia Post's network systems, enabling delivery of financial transactions. These outlets can also electronically capture the MICR details of all cheques accepted by Australia Post either as payment of a bill or a deposit into a bank account.

4.2 Key service provider in rural areas:

- Australia Posts retail network presence is significant in rural and regional areas with 57% of our total network existing outside of metropolitan areas;
- Of the 3,300+ Bank@Post outlets, 1,473 are in rural and regional areas and are a crucial part of the community;
- Our network is broader than most of the ATM networks outside of the metropolitan areas.

5. International Postal services

- Internationally, Postal organisations are active in the provision of financial services. Some have been moving further into the space (New Zealand Post), whilst others have created new entities out of their banking operations (Deutsche Post). The models of operation vary greatly; for instance Japan Post (Post Bank) and New Zealand Post (Kiwi Bank) operate banks in their own right, whilst Post Italiane and Swiss Post operate as integrators of financial services. Other entities, such as Post Norden, have a similar set-up to Australia Post where they operate as an agent and aggregator of financial services for many providers.

6. Australia Post is a facilitator of sustainable banking for all Financial Institutions

6.1 Increased agency capabilities:

- Australia Post continues to refresh our capabilities – in particular with a new Point of Sale (POS) under development. This is being built with web-enabled multichannel design principles that will enable extensions of our agency service, allowing us to provide a greater range of cost effective services on behalf of financial institutions;
- Ongoing network development will provide enhanced support and tools for our corporate network and our licensees.

6.2 Agility in our distribution capability:

- Australia Post has a long and robust history of developing products and services on behalf of financial institutions, corporate and government organisations. As a trusted services provider we are well positioned to continue to evolve to meet customer and industry needs to enable sustainable banking.

6.3 Strengthening Australia Post's role in Financial Services:

- Greater industry adoption and support of Bank@Post services to ensure convenient availability of basic banking services for all Australians;
- Assisting the Australian community to competitively access services through initiatives such as account portability, product distribution and savings related initiatives and superannuation;
- Utilising Australia Post's broad distribution network to enable communities in regional and rural Australia to access to a broader range of products and services than is currently available.

Appendix I

List of Financial Institutions supported by Bank@Post platform

- ANZ
- Bank of Queensland
- Bankwest
- Bendigo and Adelaide Bank
- Citibank
- Commonwealth Bank of Australia
- HSBC Bank Australia
- ING DIRECT
- Members Equity Bank
- National Australia Bank
- Rabo Bank
- Reserve Bank
- St. George Bank
- Westpac
- Summerland Credit Union
- Sydney Credit Union
- The Police Department Employees' Credit Union Ltd (NSW)
- The University Credit Society
- United Community
- Victoria Teachers Credit Union
- Wagga Mutual Credit Union
- Woolworths/Safeway Employees' Credit Co-operative Ltd

Credit Unions

- Alliance One Credit Union
- Australian Central Credit Union
- Australian Defence Credit Union
- AWA Credit Union
- Bankstown City Credit Union
- Big Sky Credit Union
- Circle Credit Co-operative
- Community Alliance Credit Union
- Community First Credit Union
- Credit Union Australia
- Credit Union SA
- Defence Force Credit Union
- Dnister Ukrainian Credit Union
- ECU Australia Ltd
- Encompass Credit Union
- Family First Credit Union
- FCCS Credit Union
- Fire Service Credit Union
- FirstOption Credit Union
- Gateway Credit Union
- Holiday Coast Credit Union
- Industries Mutual Credit Union
- Macquarie Credit Union
- Mecu Limited
- Memberfirst Credit Union
- MMPCU
- Mystate Financial Credit Union
- NSW Teachers Credit Union
- Police and Nurses Credit Society (WA)
- Police Credit Union (SA)
- Qantas Staff Credit Union
- Queensland Country Credit Union
- Queensland Police Credit Union QLD
- Queensland Professional Credit Union
- Queensland Teachers' Credit Union
- Railways Credit Union
- Resources Credit Union
- RTA Staff Credit Union
- Select Credit Union
- SERVICEONE Members Banking
- SGE The Service Credit Union

Other Participating Financial Institutions

- B & E Ltd
- GE Money
- Heritage Building Society
- IMB Ltd
- Maitland Mutual Building Society
- RAMS Home Loans
- Wide Bay Australia Ltd