

CHAPTER 4 – TECHNOLOGICAL ALTERNATIVES

1.1 Technology is one of the factors driving change in the delivery of financial services. By offering a cost-effective and efficient alternative means of delivering services, technology has enabled banks to rethink their delivery strategies. In combination with the pressures of competition, it has become one of the driving forces behind the rationalisation of the branch network. Ironically, it is also one of the principal means of solving problems that have resulted from this process. There is some expectation that technology will increase access to financial services for regional and remote areas.¹ However, this potential will only be realised if adequate infrastructure is put in place.

1.2 The key issues that emerged in relation to technology in this inquiry were related to access to and affordability of technological alternatives. Internet banking, for instance, is of no use to a community if its phone lines cannot provide the necessary connection speeds.

1.3 This chapter examines the role that ATMs, EFTPOS, telephone banking, internet banking and smartcards are playing and may play as alternative means of providing banking and like services to regional and remote Australia. In examining these alternatives, the Committee has focused on the two main determinants of effectiveness as alternatives, accessibility and affordability.

ATMs

1.4 Automatic Teller Machines (ATMs) are a relatively mature form of technological channel for the delivery of banking services.² Though widely used and understood, the utility of ATMs as an alternative is hampered by the costs of installation and rental, and by the limited nature of the services available through an ATM.

1.5 ATM numbers are collated regularly from information provided by financial institutions to the Australian Payments Clearing Association (APCA).³ The latest statistics provided by the APCA are for June 1998, and indicate that there were 8814 ATMs in Australia.⁴ The Australian Bankers' Association estimate that about 2500 of these are in regional, rural and remote areas,⁵ indicating that the distribution of ATMs in regional, rural and remote areas is lower than in urban areas.

1 Submission no 106, vol 5, p 894 (Merritt).

2 Submission no 80, vol 3, p 613 (ABA).

3 Information provided by the Australian Payments Clearing Association.

4 *ibid.*

5 Submission no 122, vol 5, p 1006 (ABA).

1.6 This assumption is born out by statistics prepared by the Regional Financial Services Taskforce in Western Australia, which indicated that there were only 81 ATMs in regional, rural and remote Western Australia at an average of 5 819 people per ATM, compared with the Australian average of 2 188 people per ATM.⁶

1.7 ATMs are a high volume, high cost alternative to the traditional bank branch. The machines were intended to provide the bulk of routine day to day transactions, and therefore only provide a minimum banking facility of cash withdrawal, transfer and deposit.⁷ ATMs are located in areas of high customer traffic and are therefore not suitable for small country towns.⁸ For example, a representative sample of 33 new Commonwealth Bank's ATMs in country areas showed they reached 600 000 transactions per quarter after 8 months.⁹ St George Bank estimates that a viable ATM needs in the vicinity of 6 000 customers in its catchment,¹⁰ and the Municipal Association of Victoria provided evidence to the inquiry that a bank with which they were negotiating would not install an ATM in an areas that would have less than 7000 transactions a week.¹¹ It is an indication of the limited potential of ATMs as an alternative to branches that the Municipal Association of Victoria estimates that such transaction levels would exclude 80 per cent of Victoria.¹²

1.8 ATMs are the most expensive of the technological alternatives. The Regional Financial Services Taskforce in Western Australia reported that an ATM cost in the vicinity of \$25 000 a year to rent and \$2 000 to run.¹³ The New South Wales Department of Fair Trading estimated ATM hire at \$800 a month.¹⁴ Clearly, such costs could only be supported by a large community.

1.9 ATMs are one of the few electronic devices that allow for cash withdrawals and deposits. Although they are of most use for personal banking, St George has conducted a trial in the ACT where ATMs are used for depositing cheques. This clearly has implications for business banking. While ATMs are never likely to be a solution to problems caused by the withdrawal of branches for smaller country

6 The Regional Financial Services Taskforce. December 1997. *The Report of the Regional Financial Services Taskforce to the Deputy Premier Concerning the Withdrawal of Banks from Country Towns*. WA Ministry of Fair Trading, Perth, p 12.

7 Submission no 44, vol 2, p 312 (Mr Dick Adams, MP).

8 Submission no 80, vol 3, p 613 (ABA).

9 Submission no 117, vol 5, p 952 (CBA).

10 *Transcript of evidence*, Sydney, 19 February 1998, p 116 (Mr Kanizay).

11 *Transcript of evidence*, Melbourne, 22 April 1998, p 230 (Mr O'Donoghue).

12 *ibid.* p 230.

13 Regional Financial Services Taskforce, *op cit*, p 12.

14 New South Wales Department Of Fair Trading. 1997. *Banks: Are Your Being Served: Report Of The Regional Banking Forums*, NSW Department Of Fair Trading, Sydney, p 12.

towns,¹⁵ they are an effective means of solving some of the problems relating to access to cash for communities where they are available.

1.10 In giving evidence to the inquiry, the Victorian Municipal Association mentioned that it had suggested siting ATMs in Council Shire Offices in discussions with the National Australia Bank. The Committee considers that the suggestion has merit. Council offices are staffed which not only reduces some of the security concerns for the banks but also for customers and in particular the elderly, many of whom are fearful of using ATMs in open locations. Although the Committee recognises that most areas which are large enough to have council offices are also likely to be large enough to retain their banks, for some communities it may be at least a partial solution. Telecentres and Post Offices may be other suitable locations.

1.11 **Recommendation 12**

The Committee recommends that the Australian Bankers' Association open discussions with the Australian Local Government Association and other interested organisations about the feasibility and value to communities of placing ATMs in council offices and other such locations.

Electronic Funds Transfer at Point of Sale (EFTPOS)

1.12 Electronic Funds Transfer at Point Of Sale (EFTPOS) is the most extensive of the electronic banking channels. Designed to enable the purchase of goods or the transfer of monies electronically using either debit or credit cards, EFTPOS substantially reduces the need for cash. Many outlets allow cash to be withdrawn through EFTPOS terminals enhancing its value as an alternative means of accessing some banking services.

1.13 Historically, EFTPOS has been the method by which banks have cemented the use of debit cards. Credit and debit cards were introduced by banks because such cards enabled large payments to be made more cheaply than by cash or cheque. Ultimately, the use of such cards for large payments did not capture the public imagination until the introduction of EFTPOS terminals in supermarkets and petrol stations.¹⁶

1.14 An EFTPOS transaction is not the equivalent of a cash transaction. Rather, it is the culmination of a number of agreements to accept electronic communications as a means of facilitating payment.¹⁷ EFTPOS is therefore a new service not previously offered by banks. Banks acquire debit transactions from service providers, with whom they have merchant agreements, for a fee. The Tasmanian Independent Wholesalers indicated that fees can vary from 15c to 35c on cash transactions.¹⁸ The

15 *Transcript of evidence*, Sydney, 18 February 1998, p 21 (Mr Aveling).

16 Smith, David in the ASX Perspective. Second Quarter 1997. *Smart Cards: The Players and The Issues*. Sydney, Australian Stock Exchange. p 33.

17 Tucker, Greg. 1997, 'Electronic payments systems: Some legal issues', *Law Institute Journal*, vol 71, no 4, p 29.

18 *Transcript of evidence*, Launceston, 23 April 1998, p 308 (Mr Richardson).

bank then undertakes a transaction with the bank from which the card came. That bank must provide the bank with the merchant agreement with a fee.¹⁹

1.15 The cost of acquiring an EFTPOS terminal varies considerably. Some banks provide machines free of rent with relatively higher transaction fees, while others charge a monthly fee, quoted in evidence as being around \$45, in addition to a smaller transaction fee.²⁰

1.16 In terms of availability, EFTPOS technology is second only to telephone banking. Availability of EFTPOS technology has undergone a considerable increase during the 1990s. Since statistics started to be collected in June 1989, the number of EFTPOS terminals has increased from 11 452 to 218 330 by June 1998.²¹ The expansion in numbers of EFTPOS terminals is largely a factor of cost. EFTPOS terminals are cheap to install and run in comparison to ATMs.

1.17 It is difficult to form a clear picture of the distribution of EFTPOS terminals in regional and remote areas. The Regional Financial Services Task Force in Western Australia concluded that the number of EFTPOS facilities available in regional Western Australia is lower than the national average, on average one EFTPOS terminal for every 722 people compared to the Australian average of one EFTPOS terminal for every 622 people.²² The Commonwealth Bank indicated that approximately 40% of all its EFTPOS terminals are in country areas.²³

1.18 The Department of Industry Science and Tourism's study, 'The Consumer Education Needs of Rural and Remote Australians,' indicates that the usage of EFTPOS in country areas is in fact not as high as might be expected. Although EFTPOS was available to 76 per cent of respondents questioned as part of the study, it was only used by 19 per cent all or most of the time, and a further 27 per cent some of the time. Forty one per cent of respondents never used EFTPOS.²⁴ Additionally, EFTPOS usage had a negative correlation with age, indicating that older people were less likely to use EFTPOS.²⁵

1.19 While using an EFTPOS terminal to withdraw cash from a bank account is convenient for the customer, there are some problems for businesses offering the service.²⁶ For many of them it is a costly exercise.²⁷ Although agreements between

19 Smith, David op cit p 33.

20 *Transcript of evidence*, Launceston, 23 April 1998, p 309 (Mr Richardson).

21 Information provided by the Australian Payments Clearing Association.

22 Regional Financial Services Taskforce op cit p 12.

23 Submission no 117, vol 5, p 952 (CBA).

24 Department of Industry Science and Tourism. September 1997. *The Consumer Education Needs Of Rural And Remote Australians*, AGPS, Canberra, p 32.

25 Department Of Industry, Science and Tourism op cit, p 23.

26 New South Wales Department of Fair Trading op cit p 20. See also Submission no 60, vol 2, p 457 (South Australian Farmers Federation).

27 Submission no 91, vol 4, p 809 (Tasmanian Independent Wholesalers), See also Submission no 39, vol 2, p 292 (Wheat Belt Development Commission).

banks and businesses vary considerably, many of the businesses have to bear the costs of the rental of equipment, equipment, extra telephone lines and additional security in addition to paying fees accrued to each transaction.²⁸ The need to hold a supply of cash imposes further costs relating to security and to time and money spent transporting cash to and from the nearest bank. As a result, many providers limit the amount of cash that can be withdrawn, and a number charge fees on the use of the EFTPOS terminals for withdrawals to cover their costs. According to the South Australian Farmers' Federation, businesses are charging 75c to a dollar per transaction to cover their basic transactional costs.²⁹ The NSW Country Womens' Association cited an example of a business in Taralgo charging people \$5 for a maximum withdrawal of \$50.³⁰ However, according to the National Australia Bank, businesses are in breach of contract if they charge for withdrawals.³¹ TASCOS mentioned in evidence to the Committee that this is also the case for the ANZ.³² The policy appears to vary between banks.

1.20 The issue of EFTPOS charges is complex. Businesses reap some benefits from offering EFTPOS in that it may bring customers into the store which increases the likelihood of them making a purchase. However, many feel under pressure to provide it to keep customers from going elsewhere.

1.21 A number of submissions argued that small businesses were acting as de-facto banks and that the burden of providing access to basic banking services in rural and remote regions had fallen disproportionately upon small and independent retailers. According to the Tasmanian Independent Wholesalers, it was having an impact on the survival of some businesses.³³ The Australian Council of Business Women described the perception held that 'banks are doing well out of the system, but not those actually providing the service.'³⁴

1.22 The Tasmanian Independent Wholesalers called for the removal of fees and charges associated with EFTPOS.³⁵ The New South Wales Chamber of Commerce suggested that banks providing EFTPOS to small businesses in small rural centres where there is no obvious bank or financial institutions take that factor into account when 'striking the charges for the use of those services.'³⁶ The Committee heard evidence of at least one bank appearing to do this. The Wyndham Shire Council

28 Submission no 70, vol 2, p 546 (CWA NSW), *Transcript of evidence*, Melbourne, 22 April 1998, p 255 (NAB).

29 *Transcript of evidence*, Adelaide, 30 April 1998, p 461 (Mr Cameron).

30 *Transcript of evidence*, Sydney 18 February 1998, p 48 (Mrs O'Brien).

31 *Transcript of evidence*, Melbourne, 22 April 1998, p 259 (Mr McLean).

32 *Transcript of evidence*, Launceston, 23 April 1998, p 376 (Mrs Court).

33 Submission no 91, vol 4, p 805 and p 809 (Tasmanian Independent Wholesalers).

34 Submission no 37, vol 2, p 285 (ACOB).

35 Submission no 91, vol 4, p 812, (Tasmanian Independent Wholesalers).

36 *Transcript of evidence*, Newcastle, 27 July 1998 (Mr Simmons).

reported BankWest supplied most of the businesses in town with EFTPOS when it closed its branch, initially free of costs.³⁷

1.23 Businesses should not be disadvantaged by providing services that are essentially banking services. Banks that close or downgrade their branches in regional and remote areas should take this into consideration when setting fees and charges for EFTPOS.

1.24 The principal limitation to the effectiveness of EFTPOS as an alternative to traditional banking services is that its functionality does not extend to taking deposits. The Regional Financial Services Task Force in Western Australia has suggested that the facilities provided by an EFTPOS terminal may be extended to allow users to undertake other forms of transactions, such as deposit and account balance inquiries, thereby increasing the value of EFTPOS as an alternative.³⁸

1.25 There are a range of devices already operating which perform these functions. As described in Chapter 3, Bank SA has an electronic agency which allows all basic transactions to be carried out through a direct link to a bank. Credit unions are trialing an EFTPOS terminal with a deposit facility and a balance inquiry facility called Cashpoint. According to CreditCare the device will enhance the role of credit unions a little but is not really a solution to many of the problems resulting from the closure of branches. Its limitations stem from associated requirements for infrastructure, staff and premises.³⁹

1.26 Notwithstanding these reservations, the Committee considers that an EFTPOS mechanism with cash deposit and withdrawal functions has much to offer communities without alternative access to banking and like services. As identified earlier, many of the problems faced by communities after the withdrawal of a bank branch relate to needing access to facilities for withdrawing and depositing cash. EFTPOS is a low cost alternative and has therefore considerable potential for use in low volume sites with the added benefit of helping a town to maintain its cash float thereby reducing the need to move cash in and out of the centre.

1.27 In evidence before the Committee in July 1998, the Australian Bankers' Association advised the Committee that it was exploring the 'feasibility of electronic technologies that will allow a range of approved agents to accept multibank deposits and withdrawals at sites where only individual bank cash withdrawal facilities previously existed.'⁴⁰ Shortly after the ABA's appearance, the Committee requested more detailed information about these developments.

1.28 In February 1999, the ABA advised the Committee that 'an operating model for technology that would enable a Remote Electronic banking service to be provided is currently under investigation and progressing satisfactorily'. It added that 'the development of the Regional Transactions Centres may have some impact on the

37 *Transcript of evidence*, Wyndham, 10 August 1998 (Mr Vagg).

38 New South Wales Department of Fair Trading op cit p 20.

39 *Transcript of evidence*, Canberra, 12 March 1998, p 176 (Mr Genovese).

40 *Transcript of evidence*, Canberra, 12 March 1998, p 556 (Mr Aveling).

progress of these investigations as individual banks are assessing their likely participation in the proposed centres'. The Committee is disappointed by the paucity of detail provided in response to a request for information about the development of technology that has the potential to have a marked impact on the access regional and remote communities have to basic transaction services. The response suggests that very little progress has been made. The existence of Bank SA's electronic agency and the giroPost network clearly demonstrate that the technological impediments are not insurmountable if there is a will to do so. It urges the banking industry to give priority to resolving the issues involved.

Telephone Banking

1.29 Telephone banking is a relatively recent phenomena with a small market penetration. Despite this, the use of telephone banking is increasing and is anticipated to grow even more quickly in the near future.⁴¹ Figures provided by the Australian Bankers Association indicate that around 40 per cent of telephone bank users are from regional, rural and remote areas. These figures are significant because only 16 per cent of Australia's population live in regional, rural and remote areas, indicating that telephone banking is being seriously considered as an alternative to some transactions provided by a bank branch by customers in regional and remote areas.⁴²

1.30 Figures provided by the Commonwealth Bank give some indication of the level of usage. The Commonwealth Bank logs over one million calls to its telephone banking service a week, and has over 1.8 million registered users.⁴³

1.31 Telephone banking allows a wide range of transactions to be undertaken, providing a relatively comprehensive level of service in technological terms. Customers can choose to talk to a customer service officer, or carry out the necessary requirements themselves using push button prompts. Customers can use telephone banking to open accounts, check account balances and recent transaction details, transfer money between accounts, make credit card payments, pay bills, order cheque books, request statements, check term deposit rates, and via a customer service officer, seek loan applications and discuss the administration of their accounts.⁴⁴

1.32 Since November 1997, under a scheme known as Bpay, it has also been possible to pay bills by direct transfer of monies from an account over the telephone. Bpay already has in excess of 100 utility service providers using the system.⁴⁵

1.33 The most obvious advantage of telephone banking is convenience. Telephone banking can be undertaken at any time of the day and from anywhere a telephone with

41 Walker, G., Corby, D & Murphy, T. 1997, Finance restructuring: Implications for regional Australia, paper presented to the 15th Pacific Regional Science Conference Organisation, 8-12 December, p 4 (Submission no 7, vol 1, p50).

42 Submission no 80, vol 3, p 614 (ABA).

43 *Transcript of evidence*, Canberra, 28 May 1998, p 489 (Mr Long).

44 Submission no 80, vol 3, p 615 (ABA).

45 *ibid.* p 615.

tone dial is available. Most financial institutions provide the service at a local call cost, ensuring equality of access to rural users.⁴⁶

1.34 Telephone banking is the most widely available and easily accessible alternative delivery channel for banking services. For many farmers and people in remote communities, it offers an attractive alternative to travelling considerable distances to a branch for some banking transactions.

1.35 The principal limitation of telephone banking is that it does not cater for cash based transactions. It is also, obviously, only available to those with access to telephones. According to ACOSS, 27 per cent of those on Jobstart or Newstart Allowances do not have access to a telephone.⁴⁷

1.36 Many submissions cautioned the Committee against assuming all areas of Australia have access to the equipment necessary to conduct telephone banking. One witness who lived 80 kilometres from town described her situation as follows:

In my own case, because of the type of phone cabling that we have, we cannot use a touch phone. So how do we use electronic banking with our phone, which incidentally is out of order for 30 per cent of the time anyway?⁴⁸

Access issues are described in more detail later in this chapter.

1.37 Although the Commonwealth Bank of Australia claimed in its submission that telephone banking is the technological channel most suited to the aged, a number of submissions described difficulties experienced by the aged and others using the service. The CWA New South Wales expressed concern about the time wasted going through all the instructions before speaking to an operator. They also expressed concern about the transactions having been recorded correctly.⁴⁹ The President of the Australian Local Government Association advised that a number of elderly constituents felt that they were not given enough time to complete the numbers. In the Committee's view, these problems are easily rectified.

1.38 Several witnesses expressed further reservations about telephone banking. The Australian Council of Business Women claimed that telephone banking can involve a cost for businesses in terms of the time required to stay on the line waiting for the desired service.⁵⁰ The New South Wales Farmers' Association claimed that many of the services required by businesses were not available by telephone banking. They also suggested that the high uptake of telephone banking may be attributed to the fact that the branch network has been removed.⁵¹

46 *ibid.* p 615.

47 Submission no 84, vol 4, p 735 (Australian Pensioners' and Superannuants' Federation).

48 *Transcript of evidence*, Sydney, 18 February 1998, p 45 (CWA NSW).

49 Submission no 70, vol 2, p 546 (CWA NSW).

50 Submission no 37, vol 2, p 284 (ACOB).

51 *Transcript of evidence*, Sydney, 18 February 1998, p 93 (Ms Jordan).

1.39 Despite the limitations of telephone banking, the Committee considers that it has enormous potential to meet many of the banking needs of regional and remote communities. The Committee's main concern is that the telecommunications infrastructure is adequate to allow equal access to all areas. In combination with smartcards that are reloadable by telephone, it may become a preferred option for accessing banking services in the long term.

Internet and On-Line Banking

1.40 On-line banking mirrors the functions of telephone banking.⁵² Internet banking allows access to account inquiries, funds transfer, lending and bill payments to third parties.⁵³ Although poised to become a major means of accessing banking services in the future, on-line banking is currently used by only a small percentage of the population.⁵⁴

1.41 According to the Australian Bankers' Association, many banks are now 'marketing PC-based business banking packages to corporate, small business and agri-business customers.'⁵⁵ Currently only the Commonwealth and St George offer transaction services over the internet, with two others, the ANZ and NAB, expected to launch their services very shortly.⁵⁶

1.42 In evidence before the Committee, the National Farmers' Federation outlined the benefits of on-line banking for rural people as follows:

Specifically, the key benefits of online banking for rural people are the ability to conduct day-to-day banking from the office or home, thus saving travelling time and other time; combine payments into one debit to a bank account through funds transfer, which saves money on bank and government charges; save money by cutting down on postage and handling charges; improve security as there is no risk of lost cheques or cash; check account balances and transaction details on a daily basis – this can result in greater control and better business management; and export information directly into third party accounting packages, thus facilitating their ability to make business decisions.⁵⁷

1.43 Despite its advantages, there are a number of factors that currently impede the widespread adoption of internet banking as an alternative means of accessing

52 Submission no 55, vol 2, p 433 (St George Bank Group).

53 Sneddon, Mark in Australian Business Law Review, February 1997. *Cyberbanking: Remote Banking Using The Internet*, LBC Information Services, Sydney, p 64.

54 Walker, G., Corby, D & Murphy, T. 1997, Finance restructuring: Implications for regional Australia, paper presented to the 15th Pacific Regional Science Conference Organisation, 8-12 December, p 4 (Submission no 7, vol 1, p 50).

55 Submission no 80, vol 3, p 20 (ABA).

56 Australian Financial Review. 8 October 1998. *Customer Breakout*. p 35.

57 *Transcript of evidence*, Canberra, 2 July 1998, p 536 (Mr Ritchie).

banking services in regional and remote Australia. The statistics on internet uptake in Australia and in rural, regional and remote areas illustrate some of these.

1.44 The Australian Bureau of Statistics publication, 'Use Of Internet By Householders May 1998', indicates that bill payments and funds transfers via the internet are well behind telephone, EFTPOS and ATMs for similar activities. In Australia only 73 000 adults are estimated to have used the internet for one of these activities in the three months to May 1998. In comparison, over 9 000 000 had used ATMs in the same period.⁵⁸

1.45 In terms of computer uptake, the May 1998 statistics indicate that 971 000 households (14 per cent of all households) had access to the internet from home, an increase of nearly 14 per cent from February 1998. The increase in the number of households with the internet was not paralleled by an increase in the number of households with a computer. In other words it is those people who already own a computer who are new internet users.⁵⁹

1.46 Of those households with internet access, almost 80% were located in capital cities, or 18% of all households in capital cities. Only 8% of those outside capital cities had household access to the internet.⁶⁰

1.47 Another key finding was that:

Personal income is highly positively correlated with the proportion of adults using the internet. The larger the personal income the greater the proportion of people who had accessed the internet from any site in the last 12 months.⁶¹

1.48 The Department of Industry, Science and Tourism's study, 'The Consumer Education Needs of Rural And Remote Australians,' provides information specific to rural, regional and remote users.⁶² The survey found that although 30 per cent of respondents had a computer, 90 per cent had never used the internet.⁶³ Of those who had used the internet, only 4 per cent had ever used the internet several times. These figures suggest that as a source of financial services, the internet is not currently used by most rural consumers.⁶⁴

1.49 The Australian Bureau of Statistics has produced some information specific to farmers' use of the internet for the recent Communications Research Forum 1998. On the basis of the Agriculture Commodity Survey, an estimated 45 per cent of

58 Australian Bureau of Statistics. May 1998. *Use Of The Internet By Householders*, Cat. no 8147.0, ABS, Canberra, p 7.

59 Australian Bureau of Statistics, op cit, p 3.

60 Australian Bureau of Statistics, op cit, p 4.

61 Australian Bureau of Statistics, op cit, p 6.

62 Department Of Industry, Science and Tourism op cit p24.

63 Submission no 97, vol 4, p 854 (Department Of Industry, Science and Tourism).

64 Regional Financial Services Taskforce op cit p 13.

farmers have a computer. This is similar to the proportion of city households, but is significantly greater than the rural average of 36 per cent.⁶⁵

1.50 However, farms are generally households with small businesses, and the findings are a little different when this is taken into account. The number of households with small business that have computers is 66 per cent over all and 59 per cent in the country. This is significantly higher than the 45 per cent of farms with computers.⁶⁶

1.51 About 12 per cent of farms were connected to the internet. This is higher than the 8 per cent of rural households connected to the internet, though slightly less than for households as a whole.⁶⁷

1.52 On average, 27 per cent of households with businesses have access to the internet. Against this farmers rate very poorly. They rate a little better against the country household businesses with internet access, 14 per cent of whom use the internet. Internet usage in city home businesses is 35 per cent.⁶⁸

1.53 The statistical evidence suggests a generally low usage of the internet in rural areas, and a level of internet banking so low as to be almost non-existent. The reason for this low usage requires a little exploring.

1.54 Aside from the overarching difficulties associated with the telecommunications infrastructure required to access internet services of all kinds, discussed later in this chapter, access to computer banking requires access to a personal computer, modem, and a reasonable degree of computer literacy. In other words, there are considerable up front costs on hardware and software and a degree of training. This point was made by a number of participants in this inquiry.⁶⁹

1.55 Another difficulty relates to the method by which internet services are provided. In order to access the internet, a user must subscribe to an internet service provider (ISP). Access to the internet is obtained by dialling up the ISP, which then links the user with the internet. In urban areas, dialling an ISP costs the price of a local call, subscription fees notwithstanding. Many submissions referred to the lack of ISPs in regional areas and the consequent cost to users of having to pay for internet access at STD rates:⁷⁰

65 Pattinson, Bill et al. 1998. *Use of Information Technology and Telecommunications in Regional Australia*, paper presented to the Commonwealth Research Forum, p 1.

66 *ibid.* p 2.

67 *ibid.* p 1.

68 *ibid.* p 5.

69 Regional Financial Services Taskforce *op cit* p 1. See also Submission no 15, vol 1, p 88 (Australian Competition And Consumer Commission) and Submission no 18, vol 1, p 100 (The Country Womens' Association In Tasmania).

70 Regional Financial Services Taskforce *op cit* p 14.

1.56 Currently, there are only a couple of hundred ISPs in rural, regional and remote Australia.⁷¹ In its submission to the inquiry, the Internet Industry Association identified the lack of local points of presence as the 'single biggest disincentive preventing regional users from accessing the Internet'.⁷² They urged the government to ensure funding was provided to increase the number of points of presence.⁷³ The Internet Industry Association made the observation that in 'this day when data does not necessarily travel by the shortest route, to have a pricing model which is based on geographic location does seem a little anomalous.'⁷⁴

1.57 The Australian Council of Business Women suggested a solution may lie in either giving access to local calls to the nearest main business centre or in subsidising extra charges to ensure that regional businesses do not have to pay more for their services than urban businesses.⁷⁵ However, as pointed out by a witness from Telstra, those people who cannot get local call access are also usually some distance from a branch. Although there may be a cost involved in using the Internet, there is also a savings in terms of the alternative of travelling to a branch.⁷⁶

1.58 Telstra is rolling out a number of regional points of presence that will provide opportunities for the establishment of ISPs so that fewer rural customers will have to pay STD rates to access the internet.⁷⁷ However, improvement is largely dependent on ISPs being prepared to service that market.⁷⁸

1.59 **Recommendation (13)**

The Committee recommends that the Minister for Communications in consultation with the Minister for Regional Services, Territories and Local Government, undertakes to assist communities to utilise the Regional Telecommunications Infrastructure Fund to expand the number of Internet Service Providers in regional and remote Australia.

1.60 Submissions also referred to the delay in the uptake of "secure" protocols for electronic transfer of funds via the Internet as being an issue affecting the adoption of Internet banking. The Internet Industry Association claimed that banks have been reluctant to provide ISPs with the capacity to automatically authenticate credit card transactions over the Internet.⁷⁹

1.61 The National Farmers' Federation considers that Australian agriculture stands to gain significantly from the ability to carry out secure transactions over the

71 *Transcript of evidence*, Herberton, 28 July 1998, p 722 (Mr Mercer).

72 Submission no 54, vol 2, p 428 (IIA).

73 *ibid.* p 428.

74 *Transcript of evidence*, Sydney, 18 February 1998, p 137 (Mr Coroneos).

75 Submission no 37, vol 2, p 284 (ACOB).

76 *Transcript of evidence*, Herberton, 28 July 1998 (Mr Mercer).

77 Submission 118, vol 5, p 965 (Telstra).

78 *Transcript of evidence*, Herberton, 28 July 1998, p 720 (Mr Mercer).

79 Submission no 54, vol 2, p 427 (IIA).

Internet. They outlined the support that will be required from the banks in order for this to happen.

Services which people in non-metropolitan areas and farmers particularly will demand from online banking (some of which are currently available) include:

guidelines for loan applications;

daily interest rate variations between loan packages and accounts;

ease of transfer of funds between accounts; and

ease of transfer of funds from bank to bank, bank to other financial institution and bank to retailers, utilities and other service providers.⁸⁰

1.62 Forecasts in relation to the uptake of internet banking can be misleading. While it appears this form of banking is undergoing considerable growth, it is from a small base and it will be some time before internet banking can be considered to provide a serious alternative to services provided by bank branches. In this respect, the Committee concurs with the views expressed by Trust Bank on the issue.

The view of Trust Bank is that until there is greater penetration of the market by personal computers with modems, and until such time as electronic commerce becomes available on a wider scale, internet banking will remain a niche form of banking.⁸¹

Infrastructure issues related to telephone and internet banking

1.63 Telephone banking and internet banking, require an effective telecommunications infrastructure to function. During the inquiry there was some contention as to the quality of the telecommunications infrastructure in regional, rural and remote Australia.

1.64 Until very recently many regional and remote areas were serviced by an infrastructure, such as analogue exchanges, that was unable to support either telephone or internet banking. The infrastructure is now being upgraded to support digital telephone communications to rural areas. However, it is not clear that the new infrastructure will be sufficient to support internet banking. According to Dr Walker it appears unlikely that rural communities will benefit from the new telecommunications environment to the same extent that will urban communities.⁸²

1.65 Telstra is currently responsible for delivering a minimum level of telephony services to all Australians by way of a universal service obligation (USO) funded by

80 Submission no 22, vol 1, p 124 (NFF).

81 Submission No 4, vol 1, p 33 (Trust Bank).

82 Walker, G., Corby, D & Murphy, T. 1997, Finance restructuring: Implications for regional Australia, paper presented to the 15th Pacific Regional Science Conference Organisation, 8-12 December, p 10 (Submission no 7, vol 1, p 57).

all telecommunications carriers.⁸³ Telstra is currently completing two upgrade programs that will result in digital transmission standards equivalent to the USO of about 24 kilobits per second voice transmission for the vast majority of Australians.

1.66 The Future Modes of Operation Program involves the modernisation and digitisation of the Publicly Switched Telephone Network.⁸⁴ As at December 1997, 89 per cent of Australians had upgraded services as a result of this process. It is expected that the process will be completed by the end of 1998.⁸⁵ The Integrated Service Digital Network (ISDN) is also being rolled out by Telstra, and will be 96 per cent completed by the end of 1998.⁸⁶ ISDN allows multiple voice and data communications on one telephone cable.⁸⁷

1.67 Telstra claims that the completion of these two programs will provide sufficient infrastructure to support access to higher level financial services on line to all but the most remote communities.⁸⁸

1.68 For those in remote areas, two alternatives are available: Digital Radio Concentrator Systems (DRCS); and satellites.

1.69 DRCSs transmit telephone communications as radio signals, often concentrating a number of lines into one radio signal. In terms of the quality of the service, this results in a noisy line and a periodic loss of connection.⁸⁹

1.70 Low and medium Earth orbit satellites are a more reliable and sophisticated solution, and are now capable of delivering both voice and data transmission for remote areas at speeds equal to those in urban areas.⁹⁰ According to Telstra, satellites are also more cost effective than copper telephone lines.⁹¹

1.71 There are two possible telecommunications delivery methods using satellites. The first is a two way link with the satellite to both upload and download information. The second is a hybrid of telephonic and satellite communications, which operates on the basis that the end user will not need to transmit as much information as they want to receive, so the end user transmits by regular telephone line, while downloading by satellite.⁹²

83 Submission no 118, vol 5, p 965 (Telstra).

84 Telstra. 1998. *Annual Report.*, Telstra, Sydney, p 14.

85 Submission no 118, vol 5, p 963 (Telstra).

86 *ibid.* p 963.

87 Telstra. *op cit.* p 9.

88 *ibid.* p 9.

89 Submission no 61, vol 2, p 474 (DPIE).

90 Submission no 54, vol 2, p 428 (IIA).

91 *Transcript of evidence*, Herberton, 28 July 1998, p 721 (Mr Davidson).

92 *Transcript of evidence*, Herberton, 28 July 1998, p 728 (Mr Mercer).

1.72 The Rural Telecommunications Infrastructure Fund (RTIF) has allocated \$8 million and the Federal Government \$3 million to assist remote communities with the conversion to digital satellite communications.⁹³ In terms of access to banking services, the use of satellites will enhance access for those in very remote communities and may enable some communities to have access for the first time.

1.73 Problems with the infrastructure appear to remain for those wishing to utilise internet banking as a replacement for the traditional bank branch. Farmwide,⁹⁴ an organisation formed to promote the use of information technology in the farming community, has conducted a study into connection speeds for internet users. Farmwide found that 25 per cent of respondents could only connect at speeds of less than 9.6 kilobits per second, a speed considered too slow to be useful. Over 67 per cent of respondents could connect at speeds of less than 28.8 kilobits per second, substantially slower than the optimum speed of 64 kilobits per second.⁹⁵ In addition, 14 per cent experienced ongoing difficulties maintaining a connection, largely due to the telecommunications infrastructure. A very recent Australian Bureau of Statistics study of farmers on the internet found that 39 per cent of respondents experienced some phone line trouble while connected to the internet.⁹⁶

1.74 Lack of sufficiently advanced infrastructure has been a serious impediment to the uptake of those forms of alternative banking methods that rely on telecommunications infrastructure. A notable improvement in the infrastructure has occurred in recent years. However, a further improvement to bring internet connection speeds in line with those in urban areas seems unlikely due to the extreme cost of such an upgrade. The Australian Communications Authority conducted a study into the feasibility of upgrading all phone lines to the 64 kilobits per second speed. The estimated cost of such an upgrade was \$26 billion.⁹⁷

Role of RTIF

1.75 The Government has provided \$250 million over five years for the Regional Telecommunications Infrastructure Fund (RTIF), launched in June 1997 as Networking the Nation. Networking the Nation is designed to ensure that rural, regional and remote Australia has the opportunity to participate and share in the benefits available from access to advanced telecommunications services by funding various projects to improve infrastructure and training. The funds are allocated in response to applications from the community. These are assessed by the RTIF Board in accordance with predetermined amounts in each State. Applications for funding

93 Department of Communications and the Arts. 1998. *Submission to the Joint Standing Committee of Public Accounts' Inquiry Into Internet Commerce*, DCA, Canberra, p 15.

94 For details on the Farmwide program, see the Farmwide home page. (<http://www.farmwide.com.au/>).

95 *Transcript of evidence*, Canberra, 2 July (Ms Simpson).

96 Pattinson, Bill et al. 1998. *Use Of Information Technology and Telecommunications in Regional Australia*, paper presented to the Communications Research Forum 1998, p 11.

97 Senator the Hon. Richard Alston, Minister for Communications, the Information Economy and the Arts. September 1998. *Connecting The Country: Telecommunications In Regional Australia: An Overview*. Speech to the Connecting the Country Conference, Albury, p 5.

will be accepted at any time over the five year life of the program and the Board meets around three times a year to make funding decisions.⁹⁸

1.76 Projects that are possible using the Networking the Nation funding include projects for one off funding to improve the infrastructure in particular areas, funding for trials of innovative technology, funding for planning elements of an overall project, funding to provide services, such as Internet Service Providers (ISPs) in rural areas, funding for education and awareness projects, and funding for employment projects.⁹⁹ The RTIF will not fund for the development of web sites.

1.77 Examples of Networking the Nation funding include \$5.6 million on an expansion of the Farmwide Scheme, \$435,000 to the Spencer Access Network in South Australia to trial a model for providing affordable internet access, and \$1.8 million for the extension of the Western Australian Telecentre Network to 100 telecentres.¹⁰⁰

1.78 A representative of the Outback Digital Network (ODN), a recipient of RTIF funding, appeared before the Committee to explain the ODN project. ODN's aim is to establish a digital network from Broome to Cairns, an area that has little by way of infrastructure currently, for the use of indigenous Australians. ODN is currently undertaking a needs analysis, an information technology audit and a community and cultural awareness study using indigenous coordinators.¹⁰¹

1.79 **Recommendation (14)**

The Committee recommends that the Regional Telecommunications Infrastructure Fund Board be urged to consider internet banking prospects when assessing funding for projects.

Smart Cards

1.80 Smart cards are considered to be an alternative of the future as it is anticipated that it will be some time before they are technically reliable and accepted by the wider public. At their most promising, smart cards hold out the possibility of a cashless society,¹⁰² thereby overcoming one of the most significant problems in rural financial services, access to cash.

98 Department of Communication and the Arts, op cit, p 15. See also Regional Telecommunications Infrastructure Fund. 1997. *Networking The Nation: Guidelines*, RTIF, Canberra, p 1.

99 Regional Telecommunications Infrastructure Fund, op cit, p 5.

100 Senator The Hon. Richard Alston, Minister for Communications, the Information Economy and the Arts. 24 November 1998. *Media Release: \$15 million Boost To Regional Telecommunications*. p 2.

101 *Transcript of evidence*, Darwin, 10 August 1998, p 790 (Mr Dutchak).

102 Submission no 51, vol 2, p 410 (CUSCAL).

1.81 A smart card is a credit card sized card containing a small computer chip that can store and transfer value. Smart cards can be reloaded at an ATM or at a phone terminal link to the user's account.¹⁰³ It is anticipated that smart cards will be used for small purchases, and will therefore complement debit and credit cards, rather than replace them.¹⁰⁴

1.82 Some cards are 'smarter' than others, with the best on offer at the moment able to hold hundreds of times more information than the traditional magnetic strip card. On a magnetic strip card, the information contained is static. However, on a smart card, information can change. In some instances, the card itself can process information.¹⁰⁵

1.83 There are two types of card: the memory chip card, which can be loaded or unloaded as required but cannot do any information processing of its own; and the processor chip card, which can process information and can be used for a number of functions, including stored value, ticketing, identification and membership information.¹⁰⁶ In terms of the costs of the technology involved, a card reader will cost less than \$100 when smart cards become diffuse in the community.¹⁰⁷

Trials

1.84 A number of trials of smart cards have been conducted in Australia. The most advanced of these is the Telstra smart card, being trialled in Adelaide.¹⁰⁸

1.85 Telstra's phone card, now in general use, is a close approximation of a smart card. The current generation of phone cards are not reloadable, but Telstra is currently expanding the use of these non reloadable cards for use in vending machines to purchase goods and services.¹⁰⁹ The next generation of pay phones will be able to use a rechargeable smart card, enabling customers to reload them at retail outlets or over the telephone.¹¹⁰ Except to the extent that it is indicative of the use of smart cards as a viable payment method for smaller purchases, the Telstra trial has very little to do with replacing financial services.

1.86 A more relevant possibility is Centrelink's use of smart cards for the delivery income support payments.¹¹¹ Centrelink already has experience with debit

103 Submission no 80, vol 3, p 616 (ABA). See also Walker, G., Corby, D & Murphy, T. 1997, Finance restructuring: Implications for regional Australia, paper presented to the 15th Pacific Regional Science Conference Organisation, 8-12 December, p 5 (Submission no 7, vol 1, p 51).

104 Submission no 80, vol 3, p 616 (ABA).

105 Smith, David op cit p 31.

106 Smith, David op cit p 32.

107 *Transcript of evidence*, Herberton, 28 July 1998, p 716, (Mr Davidson).

108 *ibid.* p 717.

109 Submission no 118, vol 5, p 965 (Telstra).

110 *ibid.* p 965. Walker, G., Corby, D & Murphy, T. 1997, Finance restructuring: Implications for regional Australia, paper presented to the 15th Pacific Regional Science Conference Organisation, 8-12 December, p 10 (Submission no 7, vol 1, p 57).

111 Submission no 112, vol 5, p 929 (Centrelink).

cards as a method of delivering income support. A trial of Electronic Benefits Transfer (EBT) started in December 1996 at seven customer service centres. The trial proved to be an effective replacement method for the issuing of emergency benefits cheques. Instead of issuing a cheque, the Centrelink office issued a magnetic swipe card that could be used to withdraw cash from an ATM. Centrelink has now called for tenders nationally to introduce this system, and the EBT system operates in over 170 Centrelink offices. Because the card is used to deliver one off payments and can only be redeemed at an ATM, this system falls short of being a smart card, but it does indicate some of the potential for a smart card.¹¹²

1.87 A key issue in the development of smart cards for benefits recipients by Centrelink will be Centrelink's role as a de facto financial institution. Centrelink has some concerns about undertaking the role of a financial institution, and about the effects on clients of being removed from the retail banking system.¹¹³ The advantage to Centrelink clients would be that they would not be required to pay bank fees.¹¹⁴

1.88 More significant is the requirement for the infrastructure for the use of smart cards to be available in the community.¹¹⁵ Centrelink argues that although some infrastructure is in place, there is still a great deal of research and planning to be entered into before a government agency can introduce a smart card.¹¹⁶ The Committee was frustrated by an apparent lack of progress by Centrelink towards resolving the issues involved.

1.89 By contrast, it was impressed with the efforts of a remote community in the north west of Australia to establish a trial using Smartcards. The trial proposed by the Bardi Aborigines Association Inc. (One Arm Point Community) has direct implications for the provision of financial services to remote areas. One Arm Point is an isolated community with significant difficulties associated with transporting cash.¹¹⁷ The Association has been planning a new banking system in the community that will allow payment to Community Development Employment Program (CDEP) employees and Centrelink recipients to be made using a smart card system.¹¹⁸

1.90 The community currently has commitments from a number of telecommunications and information technology companies to provide the hardware, software and training for a 12 month trial.¹¹⁹

1.91 The aim of the trial is to provide the community with a banking service that goes beyond the simple purchase of goods and services using a smart card. All payments to the community will be paid into a community trust. Monies will be

112 *ibid.* p 930.

113 *ibid.* p 929.

114 *ibid.* p 930.

115 *ibid.* p 929.

116 *Transcript of evidence*, Canberra, 25 June 1998, (Mrs Treadwell).

117 *Transcript of evidence*, One Arm Point, 11 August 1998, p 838 (Mr Beattie).

118 Submission no 16, vol 1, p 92 (ATSIC Broome)

119 *Transcript of evidence*, One Arm Point, 11 August 1998, (Mr Bruce).

deducted from the trust for rent and the provision of services by the Association. Residents in the community will be able to access their money by loading their smart cards and using the smart cards to make purchases at the community shop. The Bardi Association claims the scheme will save the government a significant amount of money¹²⁰ and will help facilitate better management of individuals' finances. The trial will start with three terminals, two at the store and one at the community office. The trial is anticipated to start in the next few months.¹²¹

1.92 The trial has been established with minimum support. Centrelink who stands to gain substantially from the development of a successful alternative to issuing cheques to remote communities, declined the invitation to participate in the study. In response to questions from the Committee, it explained that it considered that the cost of the development 'would have been substantial and beyond Centrelink's present technical capacity. Ongoing support would also have presented major difficulties for Centrelink.' Centrelink also claimed that the 'trial had not developed to the stage where it would have been possible to compare the costs of payment to the smartcard as opposed to other methods of payment.'¹²² The Committee was not impressed by this response.

1.93 As Centrelink indicated in answers to questions from the Committee, the cost of printing, enveloping and mailing a cheque is about \$0.75 per unit as compared with the direct fee paid to the Reserve bank of two cents per transaction. Moreover, the cost identified for issuing cheques does not include follow up costs relating to lost or stolen cheques. It would appear that Centrelink has substantial cost savings to make from the utilisation of smartcards for its payments. Given this, it is surprising that it has not been more supportive of initiatives that may assist in developing a means to achieving this.

1.94 It is generally considered that smart cards will not take off without a major application being found.¹²³ In this context, the considerations of the Wallis Inquiry are important. The Wallis Inquiry noted the potential of smart cards and other new technologies to reduce the overall cost of providing services. It argued that governments have a role to play in facilitating such developments and that the 'method by which governments make their own transfer payments could accelerate' such developments.¹²⁴

1.95 As noted in Chapter 1, the Committee was disappointed that the review that was to have come out of Recommendation no 96 of the Wallis Inquiry does not appear to have made any progress. It was also, frustrated by its efforts to determine the steps Centrelink was actually taking to progress the concept of utilising smartcards for government transfer payments. Centrelink advised the Committee that the

120 *Transcript of evidence*, One Arm Point, 11 August 1998, p 842 (Mr Bruce).

121 *ibid.* p 850.

122 Submission no 140, vol 6, p 1172-1173 (Centrelink).

123 *Transcript of evidence*, Sydney, 19 February 1998, p 141, (Mr Connolly).

124 Australia. Financial System Inquiry 1997. *Financial System Inquiry Final Report* (Wallis Report) p 508.

technology for payment by smartcards exists¹²⁵ but indicated that they were unable to proceed 'without a Commonwealth government agency actually seeking that service from Centrelink'.¹²⁶

1.96 The Committee considers that a circuit breaker is clearly needed.

1.97 The Committee requested information from Telstra on the steps that would be needed to implement a trial in a small rural community of a smart card product which could be:

- a) reloaded over the telephone (or otherwise);
- b) be directly credited with government pensions; and
- c) used to purchase goods and/or services.

1.98 In outlining the steps that would be required to be taken, Telstra indicated that given sufficient backing and funding, a trial would be achievable in 1999.¹²⁷

1.99 The Committee considers that Centrelink establish a trial as outlined above. As the Australian Bankers' Association has also made a commitment to conducting a 'trial to assess the feasibility of smart cards being introduced and the extent to which they could lessen the reliance on cash and prove popular with consumers in small country towns,'¹²⁸ consideration should be given to a cooperative venture.

1.100 **Recommendation 15**

The Committee recommends that the Minister for Community Services direct Centrelink to give priority to developing and implementing a trial in a small rural community of a smart card product which could be:

- reloaded over the telephone
- directly credited with government pensions
- used to purchase goods and /or services.

1.101 Smartcards are not a viable alternative to banking services in the short term. However, in the longer term, and in combination with other modes of accessing banking services such as telephone banking and internet banking, they represent a development with enormous potential to enhance the access regional and remote areas have to financial services.

125 *Transcript of evidence*, Canberra 25 June 1998, p 524 (Centrelink).

126 *Transcript of evidence*, Canberra, 25 June 1998, p 523 (Centrelink).

127 Submission no 144, vol 6, p 1185 (Telstra).

128 Submission no 122, vol 5, p 1008 (ABA).

Education

1.102 An awareness of the different technological alternatives to traditional bank branches is a significant step towards the acceptance of these alternatives. A customer education and familiarisation campaign providing information on the various forms of alternatives have been advocated by both the Regional Financial Services Taskforce in Western Australia, and the Report of the New South Wales Regional Banking Forum.¹²⁹ Both these reports advocate a bi-partisan approach to training, involving banks and either government or community groups.

1.103 During the inquiry both banks and governments gave indications that they were either planning to, or already providing, training for communities that have lost a bank branch or would soon lose a bank branch.

1.104 Training by banks on electronic alternatives to the traditional bank branch has been successful in a number of instances. Probably the best example of a conversion to electronic banking as a result of sufficient training is the New Zealand Post Bank. This bank was able to convert an enormous proportion of its customers to electronic delivery with high customer satisfaction on the basis that the customers were properly educated. The bank employed a large work force to educate customers in the use of technological alternatives through intensive training at the customers' homes.¹³⁰

1.105 A number of the financial institutions who appeared before the Committee indicated they considered the implementation of an education program as a high priority.

1.106 The Commonwealth Bank recognised that a comprehensive program of education for those customers uncomfortable with information technology was required, and claims to have started such a campaign. The Commonwealth Bank particularly emphasises physical demonstrations in branches, and the issue of 'how to' guides. The campaign also includes television advertising, the development of a customer video on the use of ATMs, and special demonstrations by bank staff to community groups.¹³¹

1.107 The Commonwealth Bank has also done a lot to educate people in the use of phone banking, including the production of education material with the assistance of the Australian Pensioners' and Superannuants' Association.¹³²

1.108 Westpac indicated that it is committed to the development and delivery of appropriate training for customers in order to make these services more available to people in rural areas.¹³³ Westpac's training effort is based on research that shows that

129 Regional Financial Services Taskforce op cit p 21. See also Submission no 87, vol 4, p 775 (NSW Government).

130 *Transcript of evidence*, Sydney, 18 February 1998, p 39 (Dr Walker).

131 Submission no 117, vol 5, p 953 (CBA).

132 *Transcript of evidence*, Canberra, 28 May 1998, p 489 (Mr Long).

133 Submission no 129, vol 6, p 1094 (Westpac).

the more comfortable people become with technological alternatives, the more advantage they see in their use.

1.109 Westpac has developed a seminar in co-operation with the Australian Pensioners' and Superannuants' Federation. Participants are provided with a free publication, and Westpac staff are used after the seminar to demonstrate ATMs, phone banking and EFTPOS.¹³⁴

1.110 This will be extended on an as required basis to a seminar program run by branch staff, dealing with the above services, plus security and fee minimisation. This seminar program will also be available to community groups on request.¹³⁵

We have tried to be at the forefront of educational programs to familiarise our customers with the convenience of some of the newer service delivery alternatives like ATMs and telephone banking.¹³⁶

1.111 Through the Australian Bankers' Association, the broader banking community has also recognised the need for education. In evidence before the Committee in July 1998, it made a commitment that to provide face to face education and training for customers and the community in alternative forms of banking where a branch is closed.¹³⁷

1.112 In February 1999 the ABA advised the Committee that it has joined eight peak community organisations in a national program designed to increase the understanding and use of self-service banking by people over 50. The project, called Self-Service Banking and Older Australians will be conducted in city and rural areas of all States and Territories during 1999. It involves local governments, merchants, community groups and banks providing information on ATMs, EFTPOS, telephone and internet banking and then offering people a chance to try the technology. According to the ABA, the model could be adapted to a wider audience and the information used more generally.

1.113 State and Federal Governments have been developing their own training mechanisms. The New South Wales Regional Banking Forums contained a training element provided by banks and community organisations.¹³⁸

1.114 To address the education needs of those in rural, regional and remote areas who have not used information technology before, the Federal government will provide \$3 million over the next two years to establish a national promotion campaign aimed at increasing awareness of the benefits of being on line. During 1998, the National Office of Information Economy (NOIE), in partnership with regional communities, conducted a series of On-line Regional Summits to assist communities realise the potential of the on-line environment. These are scheduled to continue in the

134 Submission no 129, vol 6, p 1094 (Westpac).

135 *ibid.* p 1094.

136 *Transcript of evidence*, Canowindra, 27 July 1998, p 667 (Mr Joss).

137 Submission no 122, vol 5, p 1007 (ABA).

138 Submission no 87, vol 4, p 775 (NSW Government).

first part of 1999. Information is also available to through publications, posters and telephone hotlines.¹³⁹

1.115 The Committee commends the efforts that are being made to provide education on the availability and use of alternative means of accessing banking and like services. The issue is discussed further in the next chapter.

Role of Telecentres

1.116 Telecentres are community based organisations that provide a range of telecommunications services to small country towns. The aim of the network is to provide an information technology infrastructure to regional towns which will stimulate the effective and creative use of telecommunications, computer technology, information access, education, employment, training and business enterprise.¹⁴⁰

1.117 Telecentres are funded for \$20,000 a year for a part time staff member. Some telecentres generate their own income and employ more staff.¹⁴¹ Telecentres in Western Australia are dependent on the commitment of the local community and they must become self sufficient operations within the first two years.¹⁴²

1.118 The technology available in telecentres includes internet at local cost, e-mail, video conferencing, specialist staff and a range of support services and equipment. These can be used for banking if required¹⁴³ and it would be consistent with the charter of the telecentres to include banking in the range of services they offer.¹⁴⁴ Other possible options for telecentres include the addition of ATM machines, or the multimedia Telstra public phone, that will allow, for example, bill payments and the review of accounts, and transfer of funds.¹⁴⁵ Internet banking can be complemented by the use of private rooms for consultations¹⁴⁶

1.119 The telecentres also play a role in educating the population in the use of electronic means of banking. Most telecentres familiarise the elderly with the use of ATMs and EFTPOS.¹⁴⁷

139 Submission no 97, vol 4, p 853 (Department of Industry Science And Tourism).

140 *ibid.* p 853.

141 *Transcript of evidence*, Northam, 13 July 1998, p 637 (Mr Short).

142 Regional Financial Services Taskforce op cit p 35.

143 *Transcript of evidence*, Northam, 13 July 1998, p 633 (Mr Short).

144 Regional Financial Services Taskforce op cit p 35.

145 *Transcript of evidence*, Northam, 13 July 1998, p 633 (Mr Short).

146 *ibid.* p 633.

147 *Ibid.* p 638.