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JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL
SERVICES

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

THURSDAY, 13 MARCH 2003

TANUNDA

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JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Thursday, 13 March 2003

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: Senator Chapman, 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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Subcommittee met at 9.58 a.m.

ADAM, Mr Robert George, Director, Corporate and Community Services, Barossa Council

LYKKE, Councillor David Frank William, Member, Barossa Council; and Member, Angaston Community Bank Steering Committee

CHAIRMAN—This morning in Tanunda the committee continues its inquiry into the level of banking and financial services in rural, regional and remote parts of Australia. I firstly welcome to the hearing members of the Barossa Council and the Angaston Community Bank steering committee. The committee prefers that all evidence be given in public but if at any stage you wish to give part of your evidence in private you may request that of the committee and we will consider that request to move in camera. We have before us the submission from the council which we have numbered 15. Are there any alterations or additions that you want to make to the written submission at this stage?

Mr Adam—No.

CHAIRMAN—Thank you. I invite you to make an opening statement, at the conclusion of which I am sure the committee will have some questions.

Mr Adam—On behalf of the Barossa Council, we took the opportunity to reply to your invitation to make a submission to the inquiry into the level of banking and financial services in rural, regional and remote areas of Australia. As the Barossa Council is probably one of the larger rural areas, we thought it appropriate to comment on banking services generally, and on what has happened with our banking services over the last six years. I do not think that it is different from any other areas of banking in that there have been bank closures and reduced banking hours.

In the Barossa area, as I put in my submission, each of our towns has been affected over the last few years—some worse than others. I realise that we are not in a remote area like many of the other rural areas, some of which do not have any banking services at all. We are fortunate that we still have a variety of banking services but, nevertheless, when a bank closes, the people often have to look for alternative types of banking. That may mean a change of bank, and they also have to take into account travelling further, which would apply particularly to the older generation—they like to be close to their banking services. I know that a lot of people are using new technology and services like Internet banking and telephone banking, but not everybody can avail themselves of those services. That is what I wanted to say for my opening address, Mr Chairman.

CHAIRMAN—Do you have anything to add, Councillor Lykke?

Councillor Lykke—I would like to say that this district serves a much greater area than the council area itself. In fact, it spills across several other councils. Those areas have smaller townships, some of which do not have banking services and which use this area for their banking, or go to other places. So it is not just a Barossa Council concern; it is a much greater concern than that. I think that we have a number of problems, one of which is the institutionalised service. Service, as we see it from institutions like banks and governments—and local governments for that matter—is really not service at all. It is what is chosen to be

d local governments for that matter—is really not service at all. It is what is chosen to be service. If you asked the customers, I think they would have a completely different idea of what service is. I hope that one day the banks and other financial institutions will do that.

Therefore I suggest that there is no service as service ought to be. There are no choices, and no real and open competition. When people attach themselves to a bank, and are financially committed with a mortgage, overdraft or otherwise, there are penalties in place if they want to get out of that bank. That kills off any effective competition. If we had real competition in banking, there would be no charge to change your financial arrangements if, indeed, you were dissatisfied with the service you were getting from an institution. That creates a very difficult problem when setting up a community bank because, by the time people have made changes to their financial arrangements, they may be very upset because banks are deserting them in all directions. They may make a change and develop a system to try to survive in their business or whatever they have to do, and changing from that to a community bank is very hard for them because there will be another financial penalty to make the change. I see that as one of the most serious problems with setting up community banking. If this inquiry does nothing other than target some of those areas where people are actually captive customers and not truly independent customers receiving proper service, I think it will have made a big step forward.

I would also like to say that when we talk about banks reducing hours, that can mean a lot of things. It usually means that all you are going to get in that bank is a teller. When they talk about banks being open full hours, it does not mean you are going to get full banking services. I know, from my time in real estate in this district, that at one stage all the bank managers just disappeared. If you wanted to do business, you had to deal with someone closer to the city. That is a problem because those people do not know how your business operates; they have no idea. Usually they have so many customers to look after, generally by telephone, that you have absolutely no hope of building up a personal relationship with them that is going to enhance the direction you take with your business. I grew up in an era when if you walked down the main street and saw the bank manager on the other side and you said, ‘I am going off to buy,’ he would say, ‘Go for it; do the paperwork later.’ Those days have gone. Sure, things have moved on from there, but when you cannot even get to see your bank manager because he is miles away, that is a problem.

Again, as I see it, this gets back to this institutionalised service. I think we have a lot of the wrong people or the wrong attitudes sitting in the higher echelons of our corporations. They seem to be motivated purely by profit and not by the service they should be supplying to the customer. After all, the person who carries their money down the road to the bank is the real customer, and I think they need to be recognised as that. As I said earlier, until we have real, genuine competition freely available, we are not going anywhere with our banking. That covers fairly well what I wanted to add. As you might gather, that is slightly different from the council’s submission.

CHAIRMAN—It certainly reinforces the points that the council has made, but from a different perspective. It is very useful. We will move to questions. I note from your submission that, following the closure of various banks in Angaston, you are in the process of seeking community support to establish an Angaston community bank. I assume that is being done in association with the Bendigo Bank.

Councillor Lykke—Correct.

CHAIRMAN—Why are you heading down the path of establishing a community bank—given that there are, from what I have read, still one or two banks remaining in Angaston—instead of relying on the banks that are there? Why are you going down that path rather than seeking a rural transaction centre as an alternative? Is it because there are existing banks there and you do not qualify for a rural transaction centre or are there are other factors that have pushed you towards the community bank model?

Councillor Lykke—A rural transaction centre would be fine; but are you aware of some of the success stories from these Bendigo Bank community bank situations?

CHAIRMAN—Indeed; we have heard a lot.

Councillor Lykke—I think it would be wonderful if we had something along those lines in this district. Angaston has been ignored by the banks and Tanunda could well be next. Let's face it, just because banks have said that maybe they should not be going in that direction does not mean that they won't reshuffle their board and head down the same path again in 12 months time. You have to put a stop to this somewhere. You do not wait until everything is gone before you start saying, 'What are we going to do next?'

Mr Adam—I have a comment to add on the rural transaction centre. Council did investigate that as an option. We met with representatives from the rural transaction centre and went through the criteria for setting it up. We did not get much encouragement that said we were going to be very successful. They felt that the services we had, generally, in the Barossa probably would not warrant a subsidy or grant towards a rural transaction centre. They mentioned particularly that with Gawler, the nearest major centre to the Barossa Valley, being only half an hour away they did not think our request to set up a rural transaction centre would be successful. So we did not proceed with that.

CHAIRMAN—Can you take us through the processes that you have had to go through in establishing the community bank? In your submission you refer to having to raise about \$400,000 to establish it. How far down that path are you in terms of pledged capital?

Councillor Lykke—We are well down that path. Probably the first point I need to make is that all members of the committee are pretty ordinary people. They are not in the banking world. They are not even people that would normally be thinking in large financial terms. They are generally small business people. Our committee has changed somewhat because it has taken some 2½ years now and some people have dropped off the end. There has been a lot of hard work. We have been to towns right outside the region—small towns like Sedan down on the plains. Those people have to drive this way; they have no banking facilities. We have gone down to those people and had evenings down there. We have been over as far as Kapunda. We have done all the townships around here.

We had a post-out of information to a lot of people. We received back a whole series of pledges where people pledged that they would be interested in being a shareholder in the bank if and when we issue a prospectus. That again is a problem for an ordinary little committee in a country town. How do you meet all these requirements that you have when you go to set up something like a prospectus? It costs you money if you have to go and get the right advice so that when you want to write a letter you do not say something that contravenes some law. You have to go and find out the right way to go about it. I suppose what I am saying and what I

would like you people to take on board is that, when people are setting these things up, they need some form of assistance, even if it is only someone who is available to give guidance.

Mr GRIFFIN—Isn't a lot of that provided by the bank itself, though? I thought that Bendigo Bank helped with prospectuses et cetera.

Councillor Lykke—Yes, when it comes to that end of the stick, but in the early days you still have to say, 'We want your money for shares but we cannot say we want it for shares now otherwise we will be breaking the rules.' So, in the early days, they are there with advice but nothing else.

ACTING CHAIR (Mr Hunt)—One of the things I am interested in is what expectations your prospective shareholders have in terms of what they will get out of the investment in the bank. Effectively what you are talking about is a franchise, but with multiple shareholders. I am interested because you are right at the heart of the process. What is it that you are presenting to prospective shareholders and what it is that they are expecting that they will get, both in terms of the community benefit and personal financial return or freedom on their shareholding?

Councillor Lykke—We are letting them know beyond any doubt that there may be no return on the money, but that they will have a bank that will have the Barossa Valley end of it administered by local people, whereas the real banking part will be administered by the Bendigo Bank. We are letting them know that there will no doubt be some funds available at the end of a trading year, but perhaps not for at least three years—assuming that it gets up and works correctly—and that those funds will be distributed within the community for community benefit and, if it is highly successful, then there will be some moneys coming back to the shareholders. It may take years for them to get back what they intend to put up, but it will give them some benefit to know that they do at least have a bank that has connections at some level locally and is making change.

ACTING CHAIR—The mindset of the contributors is that this is not a financial investment in itself, as a financial instrument, and primarily they are putting up their capital to help benefit the community and through that themselves.

Councillor Lykke—Yes, and, let's face it, that capital is there for the workings of the bank; it is not there for banking purposes.

ACTING CHAIR—No, it is not for the ledger.

Councillor Lykke—That is right.

ACTING CHAIR—It is for the operating costs, not for the banking ledger.

Councillor Lykke—Exactly. We have to be very careful to point that out to people. As you can understand, it is a fairly delicate operation to do that, particularly when all members of the committee are not professionals in that area. We have got to a stage now where we are probably very close to the numbers. The survey comes next to see whether it is, in fact, going to be viable, and of course that will cost some \$15,000.

ACTING CHAIR—Will that be met by the community?

Councillor Lykke—That has to be met by the community. That is another large amount of money that has to be raised. The task there is to work on various areas around the community to see whether we can find a few dollars in some bins and to go to some benefactors who may have done very well out of the district and who might like to put something back again. It does not mean that that money cannot go back to those people should we be successful at the end of the day, but it is money that goes in on the understanding it is going to be spent on one function and one function only and that they may never see it again.

ACTING CHAIR—It is an up-front, non-guaranteed contribution which may or may not be redeemable.

Councillor Lykke—Even at that point I can see that, having travelled this far, we are not going to be anywhere near what the other banks have been. I am sure you cannot compare any of the banks that got up in this manner, because they are individual communities and different things make them operate. This district plays its cards very close to its chest. It is a wealthy area, but people have earned that money over a long period of time. Everyone does not drive a BMW and flash money all over the countryside, but they are relatively wealthy people. They are not going to say: ‘Hey, I’m going to borrow some money from your bank’ or ‘Hey, I’m going to put some money in your bank’ until the bank is there. That is the type of people they are, so I can see us having a fairly difficult time at going through the feasibility because people are going to be reluctant to say what they will or will not do. But I know, because I know the people here, that as soon as its doors are open, it will be one of the big success stories. But we have to go through a list, unfortunately.

Mr GRIFFIN—Have you had any particular problems in your dealings with Bendigo Bank in relation to setting up the proposed community bank?

Councillor Lykke—A personal criticism is that—and I have not been the person who has spoken directly with them, so this is second-hand—their rules are changing and the goalposts are shifting as we come down the track. That is understandable because they are certainly under siege; it is one of the success stories.

ACTING CHAIR—Have you had help from any of the three layers of government—obviously, you wear two hats—in the process of putting together the community bank submission? I am interested as that may be a gap that we identify. If one of the conclusions is that community banks are an important part of the solution and if none of the three tiers of government are assisting, it may be a gap.

Councillor Lykke—We have had a small amount of money made available by the Barossa Council, which has covered some postage costs, hall hire and things, because as you move around the countryside it is amazing how money runs away. That has been added to what everyone has done.

ACTING CHAIR—For basic administrative costs only?

Councillor Lykke—Yes. I think we have worn that money out a couple of times over, haven’t we?

Mr Adam—I think we have.

Councillor Lykke—There is the possibility that the local development board may have several thousand dollars available to help us with our submission for our feasibility, but that is yet to be confirmed.

ACTING CHAIR—I am interested in the process of closure of the main banks within the district. In particular, there are two aspects: firstly, the impact on the local communities—which is probably most notable in a town like Angaston—and, secondly, the actual process, including whether there was a sense of notice, how much time was given before the closures occurred and what arrangements, if any, were put in place to help customers.

Mr Adam—With regard to the Angaston township, BankSA were the first to indicate that they were going to reduce their services. They initially reduced their opening hours, and instead of being open for the full day they were open from, say, 11 o'clock to two o'clock. They operated for several years under that situation. Then probably a couple of years ago they wrote to all their customers advising—they gave several months notice—that they were going to reduce their services further. They said, 'We understand that we're going to give a lesser service, but we're going to put in an ATM as a replacement for that service.' Before that we never had one at Angaston. Businesses said, 'That's okay, but what about our banking services? We want to be able to bank our cash. How are we going to overcome that?' The bank spoke to the various businesses, and they came up with a scheme that still left one person on duty at the bank just to receive deposits. There is a chute where they can make cash deposits. I think that is still happening at the moment. I understand that they have a security person there as well. They are still offering some sort of service. I must commend them on at least giving businesses plenty of warning and trying to provide some services to their existing customers.

ACTING CHAIR—The experience that you have described is not necessarily typical of all that we have seen. Some banks have been a lot faster to close with a lot less notice. It is interesting.

Mr Adam—The National Bank, similarly, at the first instance reduced their hours. I do not quite know what their operating hours were, but for at least two years they operated about two or three days a week, until they decided to close the bank. They also gave some notice to customers, but they completely closed their building. They have just the one main regional bank at Nuriootpa, which is about seven kilometres from Tanunda, from this location, and also about seven kilometres from Angaston, so it has become the central base for their service.

ACTING CHAIR—What has been the impact in the end on small businesses and private bank customers? Obviously if you are looking at putting in a community bank, there must be a sense of gap. Councillor Lykke, what has been expressed to you through either the council or representations to you in your role as a councillor? Mr Adam, what drove the creation of the community bank and what was the sense or the gap in the community that has obviously led to this?

Mr Adam—We have only one main bank left at Angaston—the ANZ Bank. The business people of Angaston wanted to have some ownership of a bank that was more secure and which they could have some personal interest in.

Councillor Lykke—The public perception is that the profits are gobbled up and spent somewhere else in big cities and that the usual country thing applies. So why let that happen

when there is a chance of having something that can give some small return to the local district? Hence the community bank was born. That would have to be the driving force.

ACTING CHAIR—It is the notion of retaining the profits within the community.

Mr GRIFFIN—With the National Australia Bank closure—this will have to be anecdotal unless you have any information—did you find or do you believe that NAB customers stayed with the NAB or have they moved to the ANZ or the Commonwealth? Are there more people who appear to be interested in the community bank who previously related to banks that have closed? Do you have any thoughts on that at all?

Councillor Lykke—I have no idea what the figures are on the customers they have retained. I know a number of people who are in business in Angaston who have continued on with the National Australia Bank in Nuriootpa. I think they did so reluctantly. You will find that has a lot to do with how you change your financial scene without it costing you money.

Mr GRIFFIN—In setting up the community bank, have you found that there has been a significant degree of resistance on the basis of ‘I don’t want to change’ or ‘It’s too expensive to change’?

Councillor Lykke—Without a doubt that has been the case. If you sit down and talk seriously with somebody about their being a part of it, they are concerned not only about that but also that maybe their bank will look at them in a less viable way if they are going to spread their interest with somebody else who is going to be a competitor. There is a genuine fear there.

Mr GRIFFIN—Because one of the arguments from the banks is that they believe that competition is there and that it is viable. Therefore, people have choice and can move from one bank to the other and there are no real problems in doing that. That is not your experience.

Councillor Lykke—It is not my experience at all. It would do for some of the executives from those banks to come out in the field and put on some ordinary clothes and wander around amongst the people and hear what is said.

Mr GRIFFIN—Fair enough.

CHAIRMAN—I am not sure whether you covered this while I was out, but one of the issues that has been raised with us with the closure of physical bank branches is the loss of the local bank manager. You referred to it in your opening comments. His replacement is supposedly by—you have different names for it—a personal banking person that particularly farmers and small business people—

Councillor Lykke—They just hand on accounts.

CHAIRMAN—can contact who in a sense replaces the role of the bank manager. Can you perhaps enlarge on the problems that raises? Certainly the banks claim that the person who has replaced the bank manager has an area for which they are responsible, still has local knowledge and can provide appropriate advice and make appropriate decisions for business people in that area.

Councillor Lykke—That has not been my experience. With the loss of the bank manager, firstly there is the perception that we have lost from the community somebody who a fair number of people saw as a respected member of the community. When you lost him, you lost his family as well, so you lost people out of your township. On top of that, he may have had restricted ways he could do business as time went on as the strings were pulled in tighter by head offices around the place and controls went into place. However, he still filled the function of having a pretty fair idea of how your business operated. Let us face it, everybody is different. I believe one of the big mistakes being made now is, as we go towards the electronic world, we expect everybody to be able to do that. Not everybody can or will learn it.

To continue on with your question, the people that have replaced the bank manager, from my point of view, are completely unsatisfactory. You are generally dealing with someone that is not in your local branch anyway—that person may be at Gawler or somewhere else—so they do not even understand what is happening in the season within the district. They would have no grasp of whether you are a farmer or a farm machinery person. They will look at a set of figures that you may have given them two years before. They just do not understand. You cannot expect them to because, if they have not been out in the field and had real experience in a real country town in small business, they are never going to have any idea how it works. You cannot learn that in a bank school or at a university somewhere; you have actually got to go and do it.

CHAIRMAN—To what extent and how does that make it more difficult to get finance, in particular loan funds and so on, into a district for business and farming purposes?

Councillor Lykke—Clearly, if there is no financial institution in your local district so that, if you are doing business with someone at the time, you can say, ‘Hey, let’s go and see what the local people can do for you,’ you will lose that person out of your township. Once that has happened, they might be advised of something that is happening somewhere else. Once you have lost a piece of business, you have lost it. I will just take you back a bit to a very simple thing that happened here 10 years ago. This town fills up with tourists on weekends. There was no ATM machine in the district. The banks did not see any need to put them in here. People would see an object they wanted to buy, or they might want to fill their boot up with wine and go home again, but if they ran out of cash they had to drive out of town to get cash. They never came back again. They just did not do it. This is the same thing. Whether it is big business or little business, if you do not have the facility, you do not do the business.

CHAIRMAN—Is it a time issue in that, if you do not have a local manager there to talk to, by the time you go through the processes you may miss a business opportunity? Or is it also the actual difficulty of getting the bank to accept your plan for whatever you might be borrowing money for?

Councillor Lykke—It has been my experience in real estate that the further you get away from the city the more nervous people are about making investments, certainly banks and financial organisations. They put all sorts of restrictions on you, and it is likely to cost you more money at the end of the day. It is just because it gets outside of the world of their knowledge. I would imagine that a healthy bank manager who was well respected within his own organisation could pass the word down the line, and that would help you considerably. If you have not got that, you are not going to get it.

Mr Adam—It seems to me that banks now have a regional manager, who virtually covers half the state, trying to provide a personal service. That would have to be fairly difficult, I would say, given the area they have to cover.

CHAIRMAN—Please forgive me and tell me if you covered this while I was out of the room. In relation to the branch closures you experienced in the district—Angaston seems to be the main area of concern in that regard, but I think your submission referred to other areas as well—the Barossa Valley generally is regarded as a growth area rather than a declining area, with the success, growth and development of the wine industry. Yet, notwithstanding that, banks are closing branches. You may have covered this, but, in an area of what might well be rising population, how is it that the banks justify the need to close?

Councillor Lykke—That is a very good question. That is why we are heading down the path we are heading down. There could not be a more successful area in the state and perhaps in the country, and yet the branches are gone.

CHAIRMAN—So they would not have lost numbers of customers that would make the branches less viable than they were 10 years ago?

Councillor Lykke—They would not have lost money either. The way I see it, they are just looking at how to wring the rag a bit tighter.

CHAIRMAN—So they are actually centralising their activities in any case rather than looking at the viability of the local branches?

Councillor Lykke—Community banks across this nation are making successes and profits and putting money back into the community. That says it all. All the other banks are doing is putting bigger bickies in at their end.

Mr GRIFFIN—I note from the council submission that Angaston has a population of about 2,000. Has it been 2,000 for a long period of time, has it grown to 2,000 or is it decreasing?

Mr Adam—It is probably just a steady population; it has not been decreasing. It has pretty well been fixed at that over many years. I do not think there is going to be a huge population increase.

Mr GRIFFIN—The main thing I am getting at is whether, with regard to these particular townships where there has been an impact on banking, they have stayed the same size, grown a bit or dropped in size, to try to get a bit more of a reflection on what has occurred.

Councillor Lykke—In more recent times, they have all grown through that period. Angaston has probably grown a little slower than the others, but they have all grown. If you could take yourself for a drive through there you would find that the housing construction that has gone on has been considerable in the last 10 years, as you will see around here. The businesses in the main street went through a rise, an increase. The town had previously gone through a downturn. It was coming back up the other side when the banks decided that it was time to do other things.

Mr GRIFFIN—One of the things that have also been said is that when you see a drop in bank services there is a commensurate impact on small businesses in the local township. Has that been your experience with Angaston?

Councillor Lykke—Yes.

Mr GRIFFIN—What sorts of results or impacts have occurred?

Councillor Lykke—The lady who could not make it here today, who is also part of the community banking scene, moved her business from there to Tanunda. I think that tells a story on its own.

Mr GRIFFIN—That was because of the bank closure?

Councillor Lykke—I would not like to say that was her only reason and motivation, but it was certainly one of them. Over the years, dealing with people who come into country towns, I have found that it is necessary to explain to people what happens in country towns, particularly main streets. Movement of a business up and down a street is a normal thing. At one period of time—and I am talking about over 20 or maybe 30 years—one end of the street will be the most popular, or around the post office will be popular or the other end will be popular. So the values of those properties and rents alter up and down the street according to the pecking order of how it works. That same thing happens here in the Barossa Valley in relation to the towns. It is just as alive in the towns. Unfortunately at the moment we are trying to shove everything into one town, and from a local government point of view we are not helping either town because we are doing that as well. The towns need to be able to grow at their own rates, because when you artificially do something like that you speed it all up and then it starts to hurt people.

CHAIRMAN—Another issue that has been raised with us in relation to investment in rural communities is superannuation. In effect, generally through superannuation and particularly through the mandatory requirement for superannuation to be paid for employees, it takes a sum of money out of the local community into the superannuation fund, which is metropolitan based, and generally superannuation funds invest in businesses in the metropolitan area, overseas or wherever, rather than back in the rural areas. So in a sense you are confiscating a component of local income and transferring it from the rural areas to the city. Is that your experience? If it is, what mechanisms might be possible to get some of that money back into local areas for investment or whatever?

Mr Adam—That is a difficult one. This is Australia wide. It is difficult to get that money invested back in your local area. As you say, from reports in the papers, it seems to be that superannuation investments have not been performing well lately—mainly because a lot of the investments have gone overseas where there has been up to a 20 per cent loss on people's funds. I am not sure how you do get that money back into a small community.

Councillor Lykke—A lot of that has to do with the funds themselves and where they are prepared to invest, hasn't it? I would have thought that this would have been a wonderful district, agriculturally, for them to have invested in. I could not tell you off the top of my head which funds have invested in private development around here. There must be some, but it is not an area with which I am familiar.

I would have thought that the superannuation scene generally has been a failure. A lot of that, I believe, stems from some of my own colleagues in the valuation area. If we think back to only a few years ago, prices were always going the one way because some of those people had never seen a downturn, and that brought about our banking collapses and other things. I think those people are probably still there in the system. I am sure they are probably advising other financial institutions today. That is a worry.

The housing and agriculture areas are growing. I would have thought that this was an area in which those kinds of investments performed pretty well. If I were investing in grapes I would do it in the Barossa Valley because, no matter how bad things get, you are always going to sell the name 'Barossa Valley'.

CHAIRMAN—As you are probably aware, in part as one of the substitutes for branch closures but also more generally, banks have been encouraging their customers to move to electronic banking—whether that be through the Internet, the telephone or whatever—to make use of modern technology. Have you found that the banks have tried to push people into that style of banking and, if so, are they providing adequate information and in fact training the customers so that they understand how to do their Internet banking, for example?

Mr Adam—I think the banks have definitely been trying to develop that part of their business. I am not sure about their training area. That may be a bit of a problem because in the Barossa we have got a fairly high ageing population. In terms of training these people and getting them used to the Internet we have set up systems in all our branches where we provide training in using a computer. We are finding that more and more older people are taking advantage of that. It is a free service that council provide.

In terms of our own customers, as a council we realise that that electronic area is probably where people are going to move to, so we have installed EFTPOS in our council offices and all our branches. For people paying their rates, we suggest BPAY. We provide that service and they can pay through their financial institution. Council are also looking at transferring a lot of those electronic services to Australia Post. We are in the process of joining Billpay through Australia Post so that our customers can go to a post office to access that service, because we believe there are at least post offices available in every one of our towns. That is another service that customers can use to pay their rates accounts. Just recently the council have also been looking at a new service, called Billmanager, that Australia Post are offering. They are trying to set it up. I think it was initially launched in South Australia and will be Australia wide in the next month or so.

Using the Australia Post service, a person with electricity rates, council rates and water rates can enter into an arrangement with Australia Post and make regular monthly or fortnightly payments to go to each of the different institutions. Australia Post will manage that and make the payments to the relevant authority. We believe that service will help our ratepayers. It will give them another option. We will have Australia Post, which is in every town, as an alternative. We believe that Australia Post are setting up their software to do this electronically. They seem to have a very good service and we will definitely be pursuing that.

CHAIRMAN—So your experience of the giroPost system is very positive?

Mr Adam—Yes, we are very happy with that.

Councillor Lykke—I would like to add a couple of points. I can see that electronics is the thing of the future, and in 20 or 30 years time it will not be a problem for anyone. But we have a lot of people out there who are not stupid or old and unable to do anything but they have not grown up with that kind of system and they are never ever going to learn how to do it. They will learn little bits of it, but it is never going to be convenient to them—they are going to feel alienated all the way. I think that whenever we set up some system for a community we should be looking at the lowest common denominator and asking: can that be done? I do not expect that someone who is over 80 years of age and is starting to forget what their name is needs to have all those facilities. But between retirement and that point there are a lot of years and an awful lot of people out there, and a lot of those people are using financial systems of one sort or another and travelling the countryside with their super. Those people cannot adapt to this; it is just not on. I have enough trouble at my age because they keep changing things all the time.

It has been my experience that when you start to make things complicated there is always that sector of the population that drops off. They will say, 'I'm not going to do that anymore.' I know people who drive cars without drivers licences because it is too hard to go and get your photograph taken. It applies to everything: once it gets complicated no-one wants to do it. So I do not see electronics as being the full story, not for a number of years until the younger people start to grow through. It will certainly be a big part of it, and a growing part.

CHAIRMAN—I do not think it is beyond the wit of anyone to learn if that reticence among the older people could be overcome. To some extent the bank certainly gets an advantage out of people shifting onto Internet banking, particularly if it is a consequence of closing a branch, because they have removed the cost of that branch and put in a lower-cost alternative. Given that, do you believe that the banks should take a greater responsibility, if they want people to move onto Internet banking, to actually train them, to bring them into their branches or regional branches and say, 'Sit down with us for half an hour, or whatever it requires, and we will show you how to do it and give you the confidence to use it'?

Councillor Lykke—One would have expected they would already have a team of people out there doing that, surely, if they keen about doing business. That is why I am talking about service.

CHAIRMAN—My personal experience is that every now and again they will send you a letter or a brochure saying that you can do Internet banking and it is as simple as ABC. But if you are like me you tend to think, 'One of these days when I have got time I will sit down and work it all out.'

Mr HUNT—I was going to make the point, when you were talking about migration to electronic banking, that I am fine but the chairman might have a few troubles. He has confirmed it.

CHAIRMAN—This is insubordination! But if the bank came to me and said: 'Look, we'll sit you down and take you through it. We'll put you in front of our computer screen. Come into the branch when you can and we'll make a time to take you right through the process, show you how to do it and let you have some practice,' then you would probably do it. But when you just get a brochure in the mail you put it aside and think you might do that one day.

Councillor Lykke—But you have just used some words about something we have lost: you cannot come into the bank anymore.

CHAIRMAN—Not your local bank.

Councillor Lykke—You go to the counter and you deal with some people who have no interest in what you are doing other than that it is a nice day, that you get served quickly and that you are off and out the door. They are overworked, they have far too much to do at busy times, and it is not their fault. There is nowhere to sit down to have a chat with someone and conduct proper business in the way that one would like to do it. You have just used the words ‘come into the bank and sit down’. That is what is wrong.

CHAIRMAN—I am referring to the situation where if the local branch is closed you have to go to the regional branch or whatever it is to undertake that training. But it seems to me that the banks do not even really actively offer that. As I say, they simply send out a brochure and that is as far as it goes.

Mr Adam—Mr Chairman, I think you are quite right. I think they would stand to gain from making that service available. Okay, it would be costly initially but even if they got half the people to change over there would be a benefit as opposed to a year or so of someone coming along. Even if it were on a weekly basis and they advertised that they had this training service available ‘this week’, I think there would be a benefit for the financial institutions if they did proceed down that path.

CHAIRMAN—In our hearings in Melbourne a couple of weeks ago, one of our witnesses was a young academic who had done some specific research on banking issues in four small country towns in Victoria. I am quoting from memory but I think he found that 50 or 60 per cent of people had access to and used the Internet generally in those areas but only 14 per cent were doing Internet banking. So of those who are computer literate and active in using their computers, only a relatively small proportion have taken the step to use them for banking purposes. It would seem to me that there is quite significant scope there to move even those who are currently familiar and comfortable with computer technology into that field.

Councillor Lykke—There is a psychic thing there. If you think back to the days when we all had bankbooks, we all knew our money was safe because we could read the figures in the book. That has never been replaced. If that could be replaced and if that same warmth were to come from knowing that the money was in safe hands somewhere and you could actually look it up, you would get people to make a change.

Mr HUNT—I wish to give you an overview to give you a sense of what we have picked up and how the material that you have presented today fits with the rest of what we have heard. We originally started from the proposition of looking at one of the questions: can the banks share branches? In looking at that we have picked up the trend of branch closures internationally in comparable environments to Australia’s. Given that there is that trend—and this is where your material comes in—three things are starting to emerge, and there will be a lot of others. Of the three things which are starting to emerge—and I would be interested in your views on these—the first is the sense that the way in which the closure protocols process has been carried out has not given sufficient time or warning for communities to prepare themselves. The second is that there is an enormously restrictive element in respect of the transition of accounts between one

bank and another. Say the NAB is closing its Angaston branch and the ANZ stays. It is very hard for people to roll over the full suite of their financial dealings if they have mortgages. The particularly hard thing is that at the same time they want to do their personal banking but it is also often linked to the mortgage and it can be linked into a cash management account, so to do that transition is very hard. There is a gap there.

One of the things we are thinking of is that when a branch is closing there ought to be more stringent requirements on banks to ease the transition of accounts without financial penalties where they make that decision. I do not know whether that would have helped you. You identified the problem that some people said, 'We would like to be able to change but our banking is all with the National Bank' or 'We would like to be able to change but our banking is all with the Bank of South Australia.'

The third area—this is just an idea that has come from what you were discussing today—is the Rural Transaction Centre Program, which from what I have seen is a good program but is limited in its scope. Your towns are probably too well developed to qualify for a lot of the RTC programs, but one substream of the rural transaction centre process might be that, where a town is pursuing a community bank and has reached the threshold—so it has demonstrated the community interest—of pledges, you run into the problem of raising funds for the feasibility stage. It might be appropriate to see whether or not you could get some funding for that under the Rural Transaction Centre Program. It would be a lot cheaper and a lot more efficient than funding a rural transaction centre, and it has the community's backing. Do you have any thoughts on that overview and summary?

Councillor Lykke—You have covered some of the things we said. Obviously, you have picked up on similar things in different places but in a different way. I think you are right about that transaction centre too; surely there are opportunities there. I do not think what we have had to say here today would be very different from what you have heard somewhere else.

Mr HUNT—What is very interesting is that your area is prosperous and growing, but you have still had branch closures.

Councillor Lykke—That is an extremely important fact. In fact, if you can take back the message to Canberra—

Mr HUNT—That is a very interesting insight.

Councillor Lykke—that we do not get considered for anything and everything—lots of things—because we do not have a big unemployment base. The reason we do not have a big unemployment base is that our people are somewhere else, pinching someone else's job, because there is a work ethic here. They will hop into their car, drive to Adelaide and pinch someone's job down there, or if there is a job at Elizabeth they will grab the job there. So we affect figures elsewhere. When we have problems, we still have them. Just because we are prosperous in a monoculture does not mean that we are prosperous in everything. Our main streets suffer the same as everybody else's main streets.

Mr Adam—I think the whole concept of the rural transaction centre is good. We have different levels of government—local, state and federal. If they can have services provided by the one centre, that is a very good concept. Generally, our council supports the rural transaction

centre idea, but it is a matter of getting it set up. Probably the closest model is Australia Post, which can take a variety of payments and provide services to local, state and federal government. That may be an area that could be developed. As Australia Post have services in a lot of the more remote areas, it may be a cheaper option to provide them with additional funding to enable them to develop their services.

Councillor Lykke—Australia Post have lots of things going for them but, above all, what they have going for them is that they are aggressive marketers. They are out there trying to build a business out of nothing because their world fell apart. When the banks take that attitude, get out there and start actually looking for business, all our lives are going to improve.

CHAIRMAN—Have they been looking for business in the wrong areas, perhaps? It is going back a long way now, but I know one of the views of the 1980s corporate collapses was that banks were too lax in their prudential investigations where they had made large loans. In that sense they were out looking for business!

Councillor Lykke—But they only wanted to see that it stood up on paper. They did not want to know whether it was going to stand up; they only wanted to see it do so on paper. That was their great failure. But I do not see any reason why branches of the same bank cannot be competitive with one another—why aren't they? If you have a branch in Angaston and a branch in Nuriootpa, then why not let those two branches compete with one another for the customers?

CHAIRMAN—What would be the elements of that competition?

Councillor Lykke—Proper service would be a good start, and it may lower fees to deal with us here because we have lower overheads. There could be a whole series of these things. When the banks flogged off all their banking chambers it created another problem for these towns which we have not covered: what do you do with a banking chamber, a building that has very few other uses? Some of them render them back again but banks do not need those things anymore. In a country town, if a piece of main street space is taken up with a banking chamber, it is a large piece of very useable ground. When it reverts to a residence or something else it takes away some of the commercial possibilities of that district.

CHAIRMAN—That sounds like a good concept. Are you suggesting that, rather than cross-subsidising, which in large measure has been removed from the banking system but I think there are still elements of it there, they should go very much the other way and localise their cost centres? There may be capacity for providing services on a less costly basis in some rural areas than in metropolitan areas.

Councillor Lykke—I bet their cost per square metre is considerably greater in the main street of Nuriootpa than it was in Angaston. I bet it is considerably lower than it is in Adelaide. In this electronic world, why not shift all banking facilities out here and do it back the other way? There are all those possibilities.

CHAIRMAN—In terms of their back office processing facilities?

Councillor Lykke—Let's get some service into it—real service.

CHAIRMAN—Are you talking about back office processing?

Councillor Lykke—Yes, why not? That is the way of the world. Why does everything have to happen in Adelaide? As a district, we suffer here because everyone wants to build a five-star hotel in Adelaide. If we built one here, where the people want to be, it would be a far more successful outfit.

Mr GRIFFIN—I have my criticisms of the banks on occasions, but I am sure that they have done the sums on an overall basis about where it is best to place their back office stuff. I do not think it is going to be the Barossa Valley—as lovely as the place is. Do not get me wrong. After my dealings with the major banks, I am sure that they have very carefully considered the bottom line aspect of how they set up that stuff.

CHAIRMAN—I am sure that the lower cost in Adelaide has been a factor in back office and processing centres being located in Adelaide, rather than in Sydney and Melbourne.

Mr GRIFFIN—That is true.

Councillor Lykke—If you want to speak to your local bank manager here, you ring the number and it answers in Melbourne, Tasmania or somewhere. You say, ‘I want to speak to the branch manager in the region,’ and they say, ‘What do you want?’ You say, ‘I want to talk about my account,’ and they say, ‘Give us your details and prove who you are.’ I have heard that people say, ‘Forget it,’ hang up, get in their car and drive in and see him. It is crazy. That is not service. It might be supplying a service from the bank’s point of view, but it is not service.

CHAIRMAN—Are there any final comments you wish to make?

Councillor Lykke—I am pleased that you have got this inquiry going and have taken the time to come and listen to our points of view. I appreciate it.

CHAIRMAN—On behalf of the committee, thank you for your written submission and for the time you spent with us today both in your verbal presentation and in particular responding to the issues that we have raised in questions. It certainly made a good contribution to our inquiry and we will certainly endeavour to make something worth while come out at the end.

Proceedings suspended from 11.04 a.m. to 1.45 p.m.

CATFORD, Mr Malcolm John, Private Capacity

EMERY, Mr Peter John, Executive Officer, Central Local Government Region of South Australia Inc.

SMITH, Mr Samuel George, President, Gladstone Community Development and Tourism Association; and Member, Rocky River Community Bank Steering Committee

BURGESS, Councillor Jeff, Chairman, Northern Areas Council

HOPE, Mr Keith, Community Projects Development Manager, Northern Areas Council

LONGMIRE, Mr Lyndon William John, Councillor, Northern Areas Council

CHAIRMAN—This afternoon in Jamestown the committee is continuing its inquiry into the level of banking and financial services in rural, regional and remote Australia. I welcome the witnesses. Do you have any comments to make on the capacity in which you appear?

Mr Smith—I am basically here to talk about the Rocky River Community Bank, about how we could see the need for one back in 2001, the process that we went through to get it up and running and how eventually, because of a number of factors which I can relate to you later if you like, it fell over and did not go ahead, much to everybody's disappointment.

Mr Emery—The body called the Central Local Government Region of South Australia Inc., of which I am the executive officer, represents 15 councils in this part of South Australia.

CHAIRMAN—As this is a public hearing, the committee prefers that all evidence be given in public but if, at any stage of your evidence, you would like to give part of your evidence in private then that request can be made to the committee and we will consider such a request to move in camera. We have before us a written submission from the council, No. 34. Are there any alterations or additions which you want to make to the written submission at this stage?

Councillor Burgess—No.

CHAIRMAN—I now invite any or all of you to make opening statements, at the conclusion of which we will move to questions.

Mr Smith—At a public meeting in Gladstone on other issues, the suggestion was put forward that the time was right for our community to look at the possibility of having a community bank in Gladstone. This was brought about by the fact that in the previous 10 to 15 years there had been seven major bank branches in the Rocky River area, ranging from Yacka, where you are going today, to Wirrabara. We got to the stage in 2001 where there was one so-called bank branch—with no manager, of course—and that was the BankSA branch in Gladstone. So it was felt that bank branches were being closed around the country areas of Australia at that time and it was only a matter of time, in our opinion, before the BankSA branch would also be closing—

BankSA had just been taken over by St George from Advance Bank and we felt that things were looking gloomy.

Concern was raised at that meeting that if we started to make ripples and make moves towards a community bank then that would be all that BankSA would need to close that branch. But we decided that the problem with the closure of banks in the country was that the banks just pulled up their shingles overnight and then there was nothing, and then local people and local businesses had to make arrangements to do their banking, which usually then had to be out of town. With that, you not only lose the banking and the bank employees but a lot of money for other businesses goes out of town; it is only natural. So we felt it was worth the effort. We had seen what was going on at Virginia: it had not been commissioned at that stage but—although it is basically a suburb of Adelaide—it looked like it was going ahead. A number of us had good friends at Cummins, and they were starting to move at Cummins to get a community bank. So we thought the time was right.

We felt there was a real need. We were losing control of what was going on in our country towns, and we felt the community bank concept that Bendigo Bank was offering had so much to offer. We felt we would be empowered communities with some control over our own destiny. Following the opening of the first community bank in Australia at Minyip-Rupanyup in western Victoria there was talk of \$100,000 profit a year, which would go straight back to the community. We are not greedy or anything like that, but at that time our supermarket was struggling. It has certainly picked up now, but it was struggling. We felt that that would empower us as a community to purchase it. It would then become a community supermarket and bring back loyalty to shopping in our own area. We need an electrician, so we thought maybe we could encourage electricians to come into the town. We could do a whole lot of things. It was real money; it was better than trading tables, sausage sizzles and things like that. It was money that you could really do things with. The other big thing was, while the banks used to employ school leavers from our high school, that stopped about 10 years ago. So we felt that we could have control over employment also.

Anyway, it was found fairly early in the piece from the discussions with Bendigo Bank that Gladstone on its own was not big enough but, because Wirrabara, Laura and Georgetown did not have any bank branches, it was thought they may be interested. Well, they were. They welcomed it with open arms, and we set up a committee of 23 people, which covered those four communities. We worked very strongly together for the 14 months we were operating. The immediate response from the community was overwhelming, and that response was maintained right through to the extent that, when we actually made the decision not to go ahead, there were a lot of disappointed people and it took a bit to pull the communities back into it.

I will go into the reasons why we closed down. When we first looked at it, the level of shareholder capital that Bendigo Bank believed we needed was \$250,000. By the end of 12 months, it was \$450,000. The ball game had changed. A lot of things had happened in the banking industry, of course. That included Bendigo Bank's involvement with Elders Rural Bank. As you know, they are 50 per cent shareholders in Elders Rural Bank, and blind Freddy could tell you that they had a conflict of interest. We hold no animosity toward Bendigo Bank—we think what they have done is excellent for communities—but the situation did change from when we first looked at it. By getting into Elders Rural Bank, Bendigo Bank immediately had 144 branches in the rural community around Australia. To come into our small community of 2,500 people was going to be hard work and involved some risk for them. It could have been a

number of years down the track before profits could be made, whereas they already had 144 branches around Australia. So we could see why they cooled on the idea once that happened. That was in June 2001. We made the decision in October 2001 not to go ahead. That was a month after September 11, and of course things in banking and things to do with finance really did change in that month. As you know, the bottom fell out of a lot of things. Margins for banks were getting tighter; instead of making their five or six per cent, they were probably only making three per cent and therefore they had to get a bigger share of the business to give us a profit—which we had to have.

Another thing changed. When Rupanyup and Minyip started up—and a few others; there were a couple in Western Australia, and Virginia in South Australia—from our observations the banks just thought it was quaint and cute. It did not really affect them and was not going to affect them. But within three months of us applying to Bendigo Bank to get a franchise to operate a bank, over 1,100 communities around Australia had approached Community Bank. Immediately, it was not cute and quaint anymore. It was not something that the big banks could put behind them and not worry about.

I feel the community banks looked like a threat, because near the end of our time as a committee all the businesspeople and all the farmers on our committee, and many others we spoke to, had been approached by their bank managers, by their financial institutions, and offered new deals—every one of them. We can understand that. Those people were on a committee dedicated to see things through to the end, but they said that they really felt that it was going to cost them a lot of money to go for the community bank. That was people who had been working with us all that time. That really hurt.

With our approaches with Cummins—I do not really want to go into the Cummins business—they struggled right from the word go to get the rural community, the farmers. With ours, we were told when we first started up that we needed \$15 million of business to come over in the first 12 months. In the Rocky River area it was \$32 million, well above what was expected, and \$20 million of that \$32 million was to come from our rural businesses—not just our businesses, but our farmers. It was going to be a difficult job to get those to come over. We were doomed. We could see that. They were the main things. I think it was just the changing situation.

We do not want to be stick-in-the-muds or anything like that, but there are very few community banks and communities that are really going with it now. I know Robe are still trying to get theirs going and Mount Gambier have started, but the heat has gone out of it. I think that is because in country communities we have to have the farmers to do it, whereas Bendigo, of course, have gone into Sydney, into the big centres. We had \$32 million within three weeks of calling for shareholders. In Sydney, in one area there, they had \$100 million. You do not blame Bendigo for not really showing a lot of interest in the country now because they have got Elders.

That is it. We are all very disappointed, but it has pulled the whole community of Rocky River together. We have a Rocky River economic development forum going now and our football and netball have combined, so we are all together anyway and it has broken down the intertown parochialism you get within country communities. It has had positive outcomes, but we still have not got that real money to do things that we want to do. Thank you.

CHAIRMAN—Thanks very much. Are there any further opening statements?

Mr Longmire—Mr Chairman and members of the committee, I represent the Spalding area. Spalding is a town of about 300 people, and a similar number of people live in the area surrounding it. I would like to tell you what happened when our IGA store came on the market three or four years ago. The real estate agent had a buyer for it and it was all signed up. The real estate agent assumed that the deposit would be 10 per cent of the cost of the store, but when the banks went to approve the loan they said, 'No, in a small country town you need a 20 per cent deposit.' So that deal fell through at the time. That was an example of how, in the larger towns, they are prepared to lend money with a deposit of 10 per cent, whereas in a small place like Spalding—and the IGA was a store that had been run by the previous owners for probably 30 or 40 years; it was quite a profitable business—an extra deposit was needed.

Another example we have had of banks being a bit tough on small areas was the Spalding hotel, where five years ago things were not that flash because the lessee was not all that enthusiastic. The lease came up and the community decided they would take over the lease. They had to raise approximately \$100,000 to buy the lease for 10 years. Then they went to the bank to obtain an overdraft, because, as you would realise, you have to have an overdraft to operate the business in most cases. The bank would only allow them a \$30,000 overdraft—and this is for a hotel that has a \$450,000 turnover per year. As soon as they went over the \$30,000 overdraft—and they never went over it by any more than about \$5,000 or \$6,000 at any time—for every cheque they wrote out there was a fee. Plus there was the fact that their interest rates went close to 30 per cent, even if the account was only overdrawn by \$5. This has had quite a detrimental effect on the community hotel. The bank charges a considerable amount and, even with a \$450,000 turnover, that is one of the reasons the hotel has not been profitable. I think that was a situation where the bank could have been a bit more lenient. It would have helped things quite a bit.

Mr Emery—I mentioned that I represent a body called the Central Local Government Region. We represent the interests of 15 councils in this part of the world, from the Barossa nearly to the Flinders Ranges north of Hawker and including Yorke Peninsula, so it is a fairly significant area. We cover nearly 30 per cent of the incorporated area of the state and nearly 30 per cent of the people outside Adelaide. This area has suffered from the problems you have been hearing about all across Australia in terms of bank closures and so on. The most recent event of which I am aware is that the NAB closed branches in Orroroo, Peterborough and Quorn and left two of those places without any banks at all. I only mention that as the most recent example of what has been happening in this part of the world.

I live near Clare, down the road, which has four banks. I could not honestly say I have any problems in my own business or personal affairs in banking. It is when you get outside those towns that are still growing, somewhat further north, in this situation, where we have these problems. We are suffering all the kinds of problems that you have been hearing about.

I would like to make the more general point that, if you regard South Australia as a region of sorts within Australia, we have a similar sort of problem. To illustrate the point: all the banks used to have state managers, who obviously worked in Adelaide. They were reasonably significant senior people in their banks. There may be some exceptions, but we basically do not have such people now. The offices in Adelaide have a housing lending section, a credit card section and a business section—or whatever—but as a state region we have less significance in that sense. Things that might have been dealt with at a senior level by a state manager now go to Melbourne or Sydney. So, even at that level, things have declined in this state. We can give

plenty of examples of things that used to be decided here in Adelaide but are now decided elsewhere. That is part of a larger trend.

Of course, we used to have two banks headquartered in South Australia. We now have one. The State Bank used to go around saying it had its heart in South Australia. Unfortunately, it did not have its brain in gear at the same time, so we now have one bank left. I am just making the point that it is a more general thing. It is not just a problem of small town; it is a larger issue of an increasing concentration of wealth and significance of influence in the major cities of Australia.

The third point I would make is that the problems in banking are often problems of a more general nature. You would have heard about the problems of older people accessing these kinds of services. The problems that do exist are very real and we run into them every day in one way or another. We all know how hard it is for us to deal with banks and electricity, utility and insurance companies. For older people, that is a growing problem. In this part of the world, the proportion of the population taken up by older people is growing quite significantly. So it is not just a problem of access to banking services and advice but access to a wider range of services.

I think it is fairly easy to outline what the problems are. You have in front of you an excellent submission from the Northern Areas Council, who no doubt will talk to you shortly. They outline examples of specific problems. I have looked at some of the submissions on your web site; you have a lot of material in front of you. In previous inquiries, you have had a lot of material in front of you. The difficult thing is not to describe what the problems are or what has happened; it is what we might possibly do about it. That is where we get to the hard question. Having looked at the submissions on your site and other things, I see that there are very few ideas around. No doubt when I read your report I will be pleasantly surprised by the number of good ideas that you have.

The point I made before about our State Bank is that we as a community have lost one lever we used to have through our government and parliament, which is public ownership. We, or our elected politicians, decided that we were not going to have state or Commonwealth banks, or even an entity like the Primary Industry Bank—which some of you would have at least heard or known about—which, when it was kicked off under the initiative of a young minister by the name of Howard, had an element of Commonwealth government ownership, along with what were then called the major trading banks. If I remember correctly, that entity is now owned by a Dutch bank, isn't it? That is just an example.

In this state we used to have two government owned banks. That used to be one way in which we as a community could influence what happened in banking. The State Bank used to help cooperatives and all sorts of things. We do not have that particular lever anymore. We have decided that we do not want the government to be involved in even minor ways in these sorts of entities. We have cut ourselves off from one major source of influence, which I personally think is unfortunate—but that is perhaps an old-fashioned view.

What have we got left? I do recall that several years ago the federal Labor Party put out the idea of a compact—I think that was the word that was used—whereby the federal government would sign a memorandum or agreement with each of the major banks about how they would meet their social obligations. I do not know whether the Labor Party still has that kind of approach, but if you read the submission that was made to this inquiry by Westpac, for

example—I do not know whether you recall it—you will see that they make a major point about how they are socially conscious, how they have a triple bottom line and other things that sound good. That may be one practical avenue—that kind of idea—which a federal government that was genuinely interested in these problems could perhaps pursue.

The other area is the things that have been happening in particular places through rural transaction centres or banks, or the community bank idea, which has been successful in some places but less successful in others. There are examples that have been given in the Westpac submission, along with others. In many cases those things depend very heavily on local initiative, and there are successful examples.

I want to emphasize the obvious point of how difficult it is for local communities to find the resources of time, expertise and money to adequately investigate and deal with these things. The people at Rocky River did a terrific job, but they were dealing with a bureaucracy of scores of people. There is a bit of an imbalance in terms of negotiating power and all those kinds of things, so it is extremely difficult. Your committee could usefully recommend some mechanism whereby at least minimum resources could be given to the regions of Australia simply to put them in a position where they could pursue these matters and negotiate with the banks or whatever.

It is very difficult, as was explained with respect to the Rocky River community bank idea, for people to simply get the time to get together and so on, given that these things are often resourced by volunteers, as was certainly the case in Rocky River. For example, just to get to Sydney to talk to senior people in Westpac would be a major effort for people here. If your committee could pursue the Labor Party idea of some sort of compact—I do not know whether that is the correct terminology or whether that is current Labor Party policy—

Mr GRIFFIN—If the chair and Mr Hunt will accept it, I am happy to go with it.

Mr Emery—I have mentioned that not because it is a Labor Party policy but because it is one of the few ideas that I recall or have seen that could actually give a lever into this issue. If you could find a way of recommending some modest resourcing for regional areas so they can investigate these matters, negotiate with the banks and pursue things, that would be extremely useful. Beyond those things, it is very hard to find, as I say, levers to deal with the problems which your committee has, no doubt, identified. I could probably go on at more length, but I would like to leave it there.

Councillor Burgess—Perhaps I should, first of all, inform you that I am also the chairman of SAROC, which is a collection of regional local government groups in South Australia, so I wear a couple of hats today. To highlight what is in our submission as well as what has been evident right across the state, we have found that one of the biggest issues is that the banks do not announce that they are going to pull out. They just seem to be here one day and gone the next. Once, when they first started pulling out, they would hold a public meeting and let the community know. There would be a bit of hoo-ha, but eventually they would be gone a month or so later. At least then there was a chance for a bit of training of people et cetera, but of late they just seem to pull out overnight. If the banks could take some sort of responsibility—even if they just put dummy teller machines in banks before they closed so that the senior citizens especially could have the chance to learn to use these machines—it would make a difference. It sounds like a very simple thing, but for someone who has never used this technology to have to

suddenly start to use the likes of EFTPOS machines et cetera it is a very difficult thing. If banks were to provide some sort of serious training—and not just tokenism—for everybody which enabled people to come in to learn to use these machines over a period of time before they pulled their services out, I am sure the effect on communities would be less.

Having said that, there is no way in the world that you are ever going to reduce that effect. The effect on communities is enormous, as we have highlighted in our submission. I do not want to go too much more into that but, needless to say, it is not just the idea of pulling employees out and the effect that has on the community but the idea that in a lot of cases a bank manager, for example, plays an important role, which we have highlighted, or an employee audits books for the local cricket or football club or is the treasurer—because those people obviously have a bit more time than the local rural community has—so they contribute to the community and their withdrawal has an effect.

I am sure that you, as elected members of parliament, would appreciate that you are continually being asked questions. It does not matter whether you are in the House or where you are, you are always being asked questions. It is the same with banking personnel. If they are out playing bowls or whatever they are doing, someone is asking them a question. So you suddenly have a gap that is left by the fact that people cannot pick these people's brains. So that bit of information does not seem to flow on. Therefore, you have a community, in theory, which is poor in its financial knowledge. Whether that extends over a period of time, I am not too sure. But I am sure a gap is there for a certain period that needs to be picked up somewhere by somebody at some stage or, otherwise, like I said, you have a poorer community.

I would also like to highlight the current practice we have found with banks requiring an increased deposit. That to me is a major concern. That is discriminating very much against small or even medium sized rural industries. We are trying to rebuild a lot of these small communities, so it is of great concern when we see the banks making it harder for people to borrow money for no particular reason apart from the fact that they are in a small community. I will leave it up to you as to whether there is some comment you would like to make on that, but it is a concern to us. This has happened not just with businesses but with house prices as well. We believe that is a concern.

There is another thing that needs to be noted. I was on an inquiry into banking in this area—it was about four to five years ago—and Peter was also involved. We had a fair involvement before Port Broughton started their RTC. What they have done is a credit to them—you will hear about that later this afternoon, so I will not go into that. But there is still a problem for people in setting up RTCs because there is not the finance to make them work. The actual amount paid by, for example, Medicare to do the transaction is so small that you just cannot cover your costs, given the 10 minutes it takes for a staff member to do that transaction. I am not sure whether there is some way that that can be covered. I am sure that Nigel Hand at Barunga West will talk about that this afternoon. It has been a problem. It is also a problem as far as the Rocky River proposal is concerned. We are still investigating to some degree whether it is still a possibility that we could do something along the lines of the RTC there. But the sheer fact of those small returns makes it almost impossible, unless you have got a huge turnover, to actually be able to operate one of these things.

That pretty much covers it. All we are really asking for is a fair go. We do not expect handouts. We appreciate these are large financial institutions and that they have to make a

profit. But I firmly believe that banks and perhaps all large institutions have some moral obligation to the communities they serve. The communities tend to support them. For them to be able to get up and run away and leave communities dangling is irresponsible, to say the least. Perhaps these organisations have a responsibility to the communities when they pull out. The other point we are making in our submission is the cost to the individual when they are left without a service. We are actually paying the banks for us to put our money into them: we do the processes for them—we go to the EFTPOS machines and put our money in through their machines—but we are still paying the same costs. I suggest that is not quite right. If we were only borrowing money from them and taking money out all the time it would be a different story. But when it is the other way around and we are being charged for the privilege, especially when they pull their services out and then charge us more for the privilege, that seems a bit lopsided. I will leave you to think about that, and ask if there are any questions or issues to you want to put to us.

CHAIRMAN—Thank you, Councillor Burgess, and thanks to all of you for your initial comments. Mr Hunt unfortunately has to leave us at about 2.30 to return to Adelaide because he has a meeting in Melbourne tonight, so I will let him have first run of the questions.

Mr HUNT—It has been very interesting reading the submission and listening to the oral presentations. We have come across a lot of the problems. The solutions do not lie in preventing the closure of banks—that is a worldwide trend; it is not something we are pretending we would be able to do. But we are looking at two categories: how you manage the process and how you give much more leverage to the communities. What you have presented here collectively is about a very brief period of time between notification and closure. That is extremely important. Is it an accurate assessment that the experience for the Northern Areas Council, or the region more generally, is that you have had minimal notification and that that in turn that has caused hardship for communities?

Mr Emery—In the three cases of closure I mentioned, which are the most recent up this way, there was virtually no process of dealing with the local folk at all.

Councillor Burgess—What you also find is that, apart from the closure, you get a situation where we are losing the manager, who might go to somewhere else, but then you lose another one so you are sharing one with someone else. In this area now a manager is being shared between three branches. Apart from the fact that you have to go to Melbourne to get any serious decisions made, there is no local knowledge. So, for example, the situation in Spalding with their hotel is never understood because there is not the local knowledge. The lack of local knowledge is one of the major issues.

Mr HUNT—You really raise three issues here: process, addressing alternatives and what you would call a certain type of rural discrimination. In terms of the process, there are two things that we are looking at—and it would be valuable to get your views on them. The first concerns exactly this question of protocols—about how the banks manage closures and their responsibilities. The second is that, with other interviews we have done, we have encountered what you might call transition barriers. If one bank pulls out of a town, because of the way in which the personal financing is arranged, there are barriers to people rolling that over into the bank that remains in the town. I am sure that is what you would have discovered in Rocky River—that it was not easy to transfer the business from the departing bank to the remaining

bank or the new community bank. If a bank is pulling out, there is some sort of obligation to do that. So that is an attempt at a solution.

On the alternatives, we were discussing this morning exactly the notion of whether the rural transaction centre scheme could in some way be adapted to provide assistance with the feasibility studies for towns that are seeking to set up a community bank. They are some of the practical things. We are particularly interested in the issue of rural discrimination and its link to this question: if a bank is leaving town, is there is a problem with bringing the business back into town because people cannot free themselves from their mortgages or their financing arrangements?

Mr Smith—The State Bank here does offer an exemption of stamp duty on transfer of loans, so that is a great thing. It only applies when there is not a branch in that town, and in Gladstone of course we still had the BankSA branch. As it turned out, 38 per cent of all the business that was going to be transferred in the first 12 months was in Gladstone and it was therefore not exempt from stamp duty. So it would have been very difficult to get that business anyway. That was another reason why we did not go ahead with it. So the State Bank here in South Australia offers an exemption of stamp duty on the loan. That is a help, and in a place like Cummins that has been most helpful.

CHAIRMAN—So it is the bank itself that offers the exemption?

Mr Smith—It is the state government.

Mr Emery—The wording of the point that has been made—and we will not be going to the detail of this—is not necessarily particularly helpful in some of the examples that were given.

Mr Smith—It was very vague and it took a long while for, at that time, Rob Kerin, to give us an answer.

Mr Emery—It is not very well worded. We welcome the points you have made in terms of some of the things that you are looking at, because they do sound useful. But one thing we would be cautious about—and you quite rightly emphasise the process of consultation with the local folk et cetera—is that it does not help those areas where the closures have already happened and where the problems already exists.

Mr HUNT—The alternatives are critical.

Mr Emery—We need to be careful that we do not end up with the same result but with a better consultation process. There would be more meetings, more letters and more chats but the end result is the same. There is a lot of experience of this in country areas of this state and elsewhere that bureaucrats, whether they are government bureaucrats or bank bureaucrats—and there is not a huge difference between them—have a good consultation process but the end result is much the same. I am not trying to knock what you are saying, but we just want to be careful that we do not end up with a longer and better process but the same result in the end.

Mr GRIFFIN—I think you might find that one of the problems here is that, with a lot of these things, it will be a situation where you can get a better process but the result will not change. However, it is still part of what you can do.

Mr Emery—This gives people an opportunity to at least ask the question: can we do something else?

Mr GRIFFIN—If I could just take you back for a second—

Mr HUNT—That is also linked to Councillor Burgess's point about the training of the community, particularly the elderly citizens and those who are vulnerable to gaps.

Mr GRIFFIN—Just to continue with this for a little while, Mr Emery, you talked about the closure of three branches of the National Australia Bank. It is that right?

Mr Emery—Yes.

Mr GRIFFIN—Keith, your submission talks about ANZ. Are we talking about the same ones or have we got them round the wrong way?

Mr Hope—I think we are talking about the ANZ.

Mr GRIFFIN—So we are talking ANZ not NAB.

Mr Emery—Are you talking about the ones that occurred up here—

Mr GRIFFIN—So it was the National Australia Bank in the three towns you mentioned in your submission—Peterborough, Orroroo and Quorn.

Mr Hope—Or ANZ.

Mr GRIFFIN—Your submission was dated September and you said that they closed in the six months before that. So we are talking about from March-April onwards in 2002. Is that correct?

Mr Emery—It was certainly part—

Mr GRIFFIN—There are two reasons this is important: first, the ANZ—as I think have all the majors now—have put a moratorium on branch closures. We believe they have and they have said they have and it is important to confirm if that is the case and whether the dates here match. When did those branches close?

Mr Smith—We are actually in NAB. Those three plus Angaston went at the same time.

Mr GRIFFIN—And they were—

Mr Smith—Some time last year—the beginning of last year.

Mr GRIFFIN—Which bank are we talking about?

Mr Smith—I would have said early last year, but we will check the exact dates.

Mr GRIFFIN—Can I be clear? Are we talking ANZ or NAB?

Mr Smith—I thought it was NAB.

Mr GRIFFIN—The National Australia Bank. There was a chunk of agency closures by NAB last year and that might relate to those; I don't know. However, we would be very keen to get the details back on those because we would like to raise that with the individual banks to check what actually occurred. If it was NAB, that is different. They did not put a moratorium on closures pretty much until later last year. If you like, we are not talking about an issue where they have reneged on a commitment.

Mr Emery—We will advise you of the details.

Mr GRIFFIN—Sure. The question following on from that relates to what consultation occurred. There is supposed to be a protocol in place in relation to branch closures which involves notifications of various sorts et cetera. I think the protocol is not as strong as it should be but that protocol is there. I am not sure off the top of my head whether the NAB has signed up to that, but we will certainly be checking that as well in the circumstances. If you could confirm those details for us, with respect to checking with the bank as well, we would be very pleased.

Mr Hope—We would be happy to contact those communities and to clarify those matters for you.

CHAIRMAN—Are you saying that virtually no notice was given of these closures? Was there any notice?

Mr Emery—I would be relying on a second-hand understanding. I think we would prefer to check the details. We do not live up that way.

CHAIRMAN—It was my understanding that the banks had agreed to a protocol in relation to closures which involved community consultation and an agreed time period, which I thought was three months.

Secretary—The Australian Bankers Association and the banks have agreed with it but are yet to sign.

CHAIRMAN—They have been a long time signing it because, according to my recollection, that was published nearly two years ago.

Mr Longmire—When the ANZ closed in Spalding a long time ago, probably eight or 10 years ago, there was community consultation. They advised us when it was going to close, six months down the track, and they met with the council. Obviously things have deteriorated since then.

CHAIRMAN—So it has got worse rather than better in terms of the process?

Mr Longmire—Yes.

Mr GRIFFIN—I think it would be worthwhile to check with the banks to see what they say about it, as well as checking with you guys.

Mr Emery—Yes.

Councillor Burgess—The other thing to remember is that some have tried to manipulate bank closures and have not been successful. For example, the NAB here in Jamestown moved major accounts into Clare. The people with the accounts suddenly wondered what was going on and said: ‘Hang on. We want our accounts moved back to Jamestown.’

CHAIRMAN—The branch was still here but their accounts were moved?

Councillor Burgess—The branch was still here but all of a sudden these people started to notice that their accounts had ‘Clare’ on them and ‘ring this number’ and they did not know why. They just rang up and asked why they were now in Clare. They were told that they thought it would be more convenient as it was a general branch or something. It was never said that they were going to close, but you can only presume that that is what they were perhaps working towards.

Mr GRIFFIN—You are saying that major accounts from the town were moved to Clare without the knowledge of the customers—

Councillor Burgess—Yes.

Mr GRIFFIN—and only by them subsequently spotting a difference with their accounts in terms of the address et cetera and raising that with the bank did they confirm that that had occurred. When they asked why it had occurred they were just told that they thought it might be more convenient for them.

Councillor Burgess—I think they were suggesting that it was a more major branch and their service could increase because they would have access to higher level personnel in the bank.

Mr GRIFFIN—And then as a result of their inquiry the account was moved back to the local branch?

Councillor Burgess—The individuals asked for their accounts to be left here. You can draw any conclusion you like; it just seemed a bit unusual.

Mr Longmire—That was probably because the National Australia Bank has made Clare a rural banking centre.

CHAIRMAN—Mr Smith, in your evidence you remarked on the development of the Elders Rural Bank and, if I am interpreting you correctly, your view was that that had mitigated against Bendigo Bank being so interested in supporting the establishment of further community banks.

Mr Smith—Yes.

CHAIRMAN—We had a senior executive from Elders Rural Bank before us yesterday. He outlined what he believes Elders Rural Bank has achieved in becoming established, the service it is offering and, in particular, the fact that because all the Elders branches are located in rural areas they provide a very good base from which to provide a banking service. Do you have some knowledge of and can you comment on the standard or the levels of service that are provided by Elders Rural Bank through their Elders agencies, compared with what you might have expected from a community bank?

Mr Smith—I cannot really. There is an Elders branch here. Because of the way Elders, in the John Elliott days, closed off in the communities there is a lot of animosity still towards Elders.

CHAIRMAN—I think I raised that matter yesterday with Mr Goodfellow. I said it was good that they are going back the other way now.

Mr GRIFFIN—As it is with Carlton supporters also.

Mr Smith—The way it was done left a lot of people in the lurch, so they will not have a bar of Elders. But that is another issue.

CHAIRMAN—Even though it is a completely different company?

Mr Smith—Yes. But that is not answering your question. The fact is that I do not know what level of service Elders Rural Bank is providing for our Rocky River area. I doubt whether there would be many customers in it, but there could be. If you do your other business through Elders, it is easier. Elders used to be the bank for farmers anyway—the way they would work the wool cheque and everything else. With Elders Rural Bank, if you have a card, you can do your banking at the post office anywhere, anyway. From my small knowledge of this, you do see the occasional Elders Rural Bank card being used at post offices, so there are people who use it, obviously. I think where it is convenient—in other words, in Jamestown—it would be more likely to be used, but I could be wrong on that.

CHAIRMAN—Mr Longmire, you referred to the issue of the potential purchase of the IGA site and fact that the bank required a 20 per cent deposit. Did they give any explanation as to why they require a higher deposit in a rural area than in a metropolitan area? Did they put the argument that prices are more unstable or that there was greater likelihood of a decline in the value of the property than there would have been in a metropolitan area?

Mr Longmire—They did not give a reason at all. They just made the point that in a situation like that you needed to have double the deposit.

Mr Smith—I think they have a policy, as they have a policy for home loans.

Councillor Burgess—When the council got wind of this, we wrote to them and asked them whether this was the situation. Then all of a sudden their attitude changed and they brought the deposit level down. So, whether there was an official position or whether an individual branch manager had decided that that was what was required in this case, we are not sure.

Mr GRIFFIN—Do you have copies of that correspondence?

Councillor Burgess—We will get a copy of that correspondence. I have just been told that it may have just been verbal. I thought we actually wrote to them.

Mr GRIFFIN—Fair enough. If it turns out that it was written, we would be interested in having a look at it. But if it was not, obviously we cannot.

CHAIRMAN—Mr Smith, did you mention that you run the post office?

Mr Smith—I am retired now, but I still relieve at Crystal Brook and Gladstone. I was an official postal manager. Then I became a licensee in 1991 and owned the Gladstone post office for seven years. I still have contact with it. I still have a keen interest in what is going on.

CHAIRMAN—One of the issues that has been raised with us about shared banking facilities of one sort or another, whether they be in-store facilities or giroPost post office facilities, is the perception by customers of a lack of privacy in their banking and financial affairs. The response to that from some of the institutions has been that, in most instances, they are only doing transactions and not discussing their finances in detail. In your post office experience, did you come across that as an issue for customers who did not have a bank branch through which to operate and were doing their banking through Australia Post? Were they reticent to do their banking in that way because of the perception that when they were dealing with the bank and the bank manager their affairs remained private but when they were dealing with anyone else in the community over the counter things may not be so private? On their side of the counter, with other people milling around, they might have felt a lack of privacy.

Mr Smith—That is a good point. I have had people who are very reticent about using the post office for that reason. It depends on whether the post office is set up for privacy so that there is a more private area than the one where people can just queue up next to you and see what is going on. There is also the perception that, while you can go into a bank branch and probably not know very personally the person who is serving you, in a licensed post office set-up, or even in an official post office set-up, a person has often been there for donkey's years, knows your family and probably knows everything else about you. Although the only thing that the operator will get off there is a balance, people do not always want people to know that. I have seen it more with ATO payments. There are people who will not use the post office, because they do not want the people in the post office to know what tax they are paying. That is fair enough. Taking that down the line, I am sure those same people would not do their banking at that post office either. So it is definitely a problem, but given the fact that we do not have banks with multiple staff in our towns—maybe here you still do, but in a lot of smaller communities we have not had those for years now—people either drive off to Jamestown or Port Pirie, go to an ATM or do it locally. They have that choice.

Mr GRIFFIN—In your role working in the post office, were you in a situation to use giroPost or watch giroPost being used?

Mr Smith—Yes, I have been around long enough. I was there when it first started.

Mr GRIFFIN—Do you have any general comments about the system beyond what you have already said?

Mr Smith—Yes. The general community are generally rapt in the idea, simply because they, in the country, have access to every bank and institution that people in the cities have, except for ANZ, BankSA and Westpac at this stage. Australia Post bringing out giroPost really brought services back to the community rather than closing them down. Against the world standard, Australia Post was different to everybody else.

Mr GRIFFIN—There is the question of business giroPost versus giroPost in a general sense. Have you worked in the field where a business giroPost has been in operation? If so, do you have any comments on that?

Mr Smith—Yes. The Commonwealth and NAB now allow business banking to be done through giroPost, and Adelaide Bank does too; a number of farmers use Adelaide Bank. Their comments are, ‘I have to go off to Port Pirie or Jamestown to do my banking.’ They do it daily, and they are quite happy with it. But they only have small businesses, you see. Larger businesses would be a headache, I think, for that post office.

Mr GRIFFIN—Because of cash limits on transactions et cetera?

Mr Smith—Yes, or the number of them. If you have 50 cheques that have to be put through for a single transaction, that is something that has to be overcome between Australia Post and the banks. But I think they are overcoming that somehow.

Mr GRIFFIN—But the system is basically sound?

Mr Smith—Yes, and they are very happy. Now that the NAB is on, in Gladstone and in Crystal Brook—those are my only examples—there are a number of businesses which use the NAB. They are happy with it.

CHAIRMAN—Another one of the issues that have been raised with us—and this issue is particularly raised in your submission—is the role of the bank manager in the local community, particularly as a financial adviser, and that when a branch goes the local customers of the bank lose that access. The response of the banks is that they have put in place dedicated customer relations officers that deal specifically with those people, albeit from a further distance. The banks claim that those people are trained and retain the knowledge of the local area that the bank manager previously used to have. I am wondering what your experience of that situation is, if any of you have had that experience or others in the community have related to you their experience of no longer having access to a local bank manager for advice, of having to rely on one of these more distant people by telephone and of that person’s expertise in relation to the local area. In particular, does it make it more difficult to borrow money when that is required for business purposes?

Councillor Burgess—I will give you my personal dealings with the ANZ. You find that you can only borrow to a certain limit without going through Melbourne. We do not have a local bank manager and we deal with Crystal Brook. Our bank manager was moved to Jamestown but the man at Jamestown has just been moved to Kadina, so we do not actually have a manager in the region at the moment. If you want to do anything above a certain level, it has to go through Melbourne. If you do not have a local person who has some knowledge of what you are trying to do, it is very hard to actually convince someone in another city that is 3,000 or 4,000 kilometres away what your actual situation is. You look at the issue of drought in Australia over

the last 12 months. While this area has suffered, we have not suffered that badly. Say you are someone from this area who wants to borrow money—and you do not have to go very far away from this area to find people who have suffered quite badly—and you come from this area where it has not been that bad. If you were trying to build a case to borrow money, obviously you should have a better case. But if you have no bank manager who has a local knowledge of the area and of the fact that this is a reasonably reliable area, obviously there is going to be a problem getting information through.

I have been trying to organise the purchase of a piece of farm machinery. I wanted to lease because that is what my tax adviser advised me to do, for tax reasons. But the local girl who is now trying to manage the branch had no knowledge of that. She contacted a bloke in Adelaide who had no knowledge of that and who said to me, ‘You just want to borrow money.’ I said, ‘No, it is about leasing.’ You need to have knowledge of the tax advantages associated with that—so you lose that local knowledge. That is the case because I am dealing with a bank. But if you actually have someone in the community who can talk to people and people can casually ask questions of, that knowledge is transmitted so therefore all the businesses and farms and communities can use that knowledge. Whether they use that particular bank or not does not matter because they gain knowledge and can therefore run a better business. In theory, the wealth of the community can be enhanced by having that information available to some degree in the community at all times.

Mr GRIFFIN—We have used the NAB as an example. What particular banks have said to us—if not to the committee then to me in other meetings that I have had with them—is that, by moving to a situation of a more mobile approach in terms of lending managers who will be available locally, you would be in a situation where, for a query like yours, if you contacted the bank they would send out someone with some local knowledge who would be with you at the kitchen table and would go through it. But that has not been your experience at all?

Councillor Burgess—Take people who are thinking about starting an enterprise, for example. First of all, they start throwing ideas around in their minds. Until they get past that point of trying to make a reasonably solid decision, they will not seek that extra advice. If some of that information is freely available or if they can pick it up by talking to people, they may then make a decision to go ahead. If it is not available, that could well mean that a decision is made not to go ahead purely because they did not have the right information. While it sounds trivial, I do not think enough emphasis is put on that point. The reason why people actually make a decision to start something is that they have heard this or they have heard that or someone they were talking to the other day had this piece of information—and from that they go on. You need that starting point. Without some of that knowledge in the community sometimes you may not get that starting point or the little bit of knowledge you need to commence something.

Mr GRIFFIN—Say you are trying to work out the value of that—for example, if you are from a bank and the question relates to the size of your lending portfolio in an area—trying to quantify that sort of community wealth is difficult, if not impossible.

Mr Smith—That is life, isn’t it? It is all: what is the bottom line? Twenty-five years ago, you went to your bank manager—because you had one—and you knew that the information he was giving you was in your best interests. But of course, it has all turned around now; it is in the banks’ best interests. Peter Emery commented about how we have lost control of what we think

banks should do for us. We have lost that control now. It is purely a business; whereas, before if we were not happy with the way the bank was looking after rural areas we would go through our elected representatives and things would change, and we would get help that way. But that has gone.

Mr GRIFFIN—As a Commonwealth Bank customer, I have never had any influence over what the Commonwealth Bank does, and that is pre privatisation as well.

Mr Emery—Your reference to mobile services relates to lending officers who come out and talk about your housing loan and that sort of stuff. I noticed that the Westpac submission, which I found quite interesting, says:

Westpac is also currently working with Telstra on a pilot program of mobile satellite Internet access in remote rural and regional areas ...

Does your committee know anything about that? It sounds quite interesting.

Mr GRIFFIN—I do not know anything more about it than that. I am not sure I was even there that day.

Mr Emery—It does sound interesting though, doesn't it? We have experience with mobile libraries up here, and the idea of a mobile thing—not a bank—that has a satellite dish that can go out to somebody's place and look up those things on the Internet is an interesting idea. I do not know whether it is feasible or not.

Mr GRIFFIN—There is a range of interesting and innovative things being piloted by a number of the larger banks. The question of how well they will work and their practicality are things I am not quite so sure about. For example, in the Indigenous area there are some things Westpac is doing, but a conclusion is still a way off.

Mr Emery—I was just curious about whether your committee had any more information about that.

CHAIRMAN—Apparently, there is a pilot program being run in the UK in rural areas with mobile banks that is due to conclude in about six months, so we will be able to look at the consequences of that.

Mr Emery—It is interesting if you broaden it beyond banking to other services, particularly, as I said before, for aged people. One can imagine all sorts of services.

Mr GRIFFIN—I have a couple of questions for Mr Smith on the attempt to establish a community bank. If I heard you correctly, Mr Smith, you were saying that when things started to move on the proposal for the community bank you found that potential customers were being offered new deals by their current banks. Is that right?

Mr Smith—That is correct.

Mr GRIFFIN—Could you expand on that a little bit?

Mr Smith—They were offered better interest rates on their loans and that type of thing.

Mr GRIFFIN—And you are of the view that that was as a direct result of a movement towards a community bank?

Mr Smith—It happened to so many people and, from talking to them, we found it happened in Cummins also. That is why they struggled with getting the farming community in to their bank. While they put a gloss on it—naturally, because the thing was up and running and it is all to do with confidence; and I believe now that it is starting to do quite well—it was very hard. Leo Haarsma, the president of it, used to keep coming out on the ABC and so on and saying, ‘It’s doing very well but we really need the farmers on board.’ Then we had a ripper of a year the year before last, and that really got it going. But the fact that it happened to businesspeople and to farmers—because, once we found out, we went out and asked them—

Mr GRIFFIN—That was all the majors, all four of them?

Mr Smith—Yes.

Mr GRIFFIN—When you were looking at the range of customers who were prospectively there and who you were starting to sign up, did you find you were taking them from particular banks, or was it a general percentage across the area, given the concentrations that were there already—that is, BankSA having X per cent? Were there any particular concentrations?

Mr Smith—No, because Gladstone used to have the ANZ many years ago and there are still a lot of ANZ customers. There are NAB and BankSA, and there is ANZ at Laura and at Wirrabara; and there are the Bank of Adelaide and ANZ at Georgetown. They are the main ones. The Commonwealth is not a very high percentage, because the nearest Commonwealth is in Port Pirie. A few of the businesses had Westpac, but it was mainly ANZ and NAB that it would have come from.

The interesting thing out of our feasibility study and the survey forms was that the company running the feasibility study had a 24 per cent response from the survey forms, which was well above the average for responses. One of the reasons for that—it is important to tell you this anyway—is that a high percentage of people were quite satisfied with their current banking. But they were willing to switch because of what the community bank would do for the community. Laura and Gladstone, which are the only two places with giroPost, had a response of 19 per cent. The company announced that, of the 70-odd feasibility studies they had done around Australia, that was well above the average of 11 per cent, so giroPost is very strong. The consultants also felt that, because the post office is open longer hours than the bank and Bendigo Bank cards can be used through the post offices, you would not necessarily get that business. Nothing would change, so there were slices of business that might have been hard to win over.

Councillor Burgess—As Sam has pointed out, the post offices do a magnificent job in Laura and Gladstone with the services they provide. You may or may not be aware that we have been looking at RTCs for that part of our community. We have been very cautious about going ahead with that because of the effect it will have on those post offices and businesses. The last thing we want to do is affect their business, so it is a real juggling act. We are still looking at it. I am not sure how much longer we have to go. I understand that is not going to last much longer. It is

still an option but probably, at this stage, it is more likely that we will not go ahead, purely because of the effect it will have on those businesses. To their credit, as Sam has pointed out, they have picked up the ball and are serving the community quite well.

CHAIRMAN—From what you said, Mr Smith, the best way to keep the banks honest and get a reasonable deal from them might be to start a committee to establish a community bank.

Mr Smith—It actually did help. But unfortunately it appears to have slowed the progress of community banks—not just from what has happened here. I am sure the banks saw it in the end as a threat to their market share.

CHAIRMAN—From what you have said, getting back to my original question, the local branch manager is somewhat distant compared to the customer service manager. Clearly, from your experience, although the banks have claimed that that person does have adequate local knowledge, you are saying that they do not compared with the structure—

Councillor Burgess—Definitely not.

CHAIRMAN—that was previously in place.

Councillor Burgess—It is exactly the same as when you are out in public. People are always asking you questions as they do us as local members of council. Someone always wants to know something about the council or about how you are going to do this or that. It is exactly the same when you are talking to a bank manager. You might be having a drink with him after you have played bowls or golf and you would ask him a simple little question: how would I go about this?

Mr Smith—I want to say something about what Peter said earlier about some assistance with feasibility studies and that type of thing. The feasibility study for the community bank cost nearly \$15,000. We had equal shares with Northern Areas Council, Mount Remarkable and the Port Pirie Regional Development Board and basically that money was gone. It was out of the community. You might say, 'Well, it is from a big barrel,' but it is still our money. If the councils had not put their hand up, we would not have gone ahead. Where do you find \$15,000 that you have a chance of losing? As you also said, everything was voluntary. Our community development associations put in money to run it, but most of the administration costs came out of people's pockets. Then there is all the travelling and everything. Still, if it was worth going for, it was worth going for.

CHAIRMAN—That reminds me of another question I wanted to ask in relation to the community bank. You mentioned that the capital sum that had to be raised had risen to \$400,000.

Mr Smith—It started at \$250,000—they thought that was all we needed—and then they raised it to \$450,000. We got to \$431,000.

CHAIRMAN—Did they give a reason why that changed? You have alluded to the fact—

Mr Smith—It was to do with the fact that we had to open in three different outlets. The cost of setting up is the main reason for that.

CHAIRMAN—Including the cost of buildings and so on?

Mr Smith—Yes. We had to find the buildings, and then there was signage, carpets—the whole works.

CHAIRMAN—I gained the perception that you were alluding to the fact that perhaps they were not quite as enthusiastic, again given the Elders situation. Maybe that was a factor in increasing the capital. Do you think that the extra capital was a justified requirement—

Mr Smith—I think it was justified.

CHAIRMAN—given the distribution grant?

Mr Smith—About a couple of weeks before September 11 we felt a real cooling-off and that they were waiting for us to make the decision to pull out. The feasibility study was positive but there were some doubts in it. The goalposts were changed along the way. That was fair enough, but the other part where we only needed \$15 million to come over in the first 12 months was increased to \$30 million. They did that in 12 months. That might have been one way of trying to push us over the top. But with the changing financial situation at the time it was probably good business on their part and it was important for us to get that.

CHAIRMAN—I refer to your experience with electronic banking. It is quite obvious, particularly where branches have closed but more generally, that banks are trying to encourage customers to use electronic banking, whether by telephone or the Internet. Is the telecommunications infrastructure here adequate for people to properly use Internet banking in terms of line speed, not dropping out and so on?

Councillor Burgess—We put an Internet service provider in Jamestown, so that helped enormously. Before that, we had only a double local call system out of Port Pirie through Gladstone. Gladstone's service is quite good. The Internet is quite reasonable now, although if you get out into rural areas, with the phone lines it gets a lot slower the further you get away from the exchanges. I have personally looked at an ISDN line. While I have to wait six weeks to get it, in theory it should significantly enhance the service. I presume that, because I am 12 kilometres from the exchange, that must be about the outer limit. Obviously, in outer areas that could still be a problem.

CHAIRMAN—Are there any other comments on that?

Mr Smith—A lot of farmers are using Internet banking now. They find that a lot more convenient. The only thing is that, as I have had explained to me, when it first started it was free and now it is not. Once they hook you into the system, they charge.

CHAIRMAN—The other issue is developing the capacity or expertise to do it. I for one still have not gone over to Internet banking, but you periodically receive brochures or letters from the bank saying, 'We have the facility; why don't you use it?' You say that a lot of farmers use it, so they have readily adapted to it. I wonder whether there should be more initiative from the banks to encourage people into Internet banking by bringing them in and training them—taking them to the branch, sitting them down and saying, 'This is how you do it,' and giving them a reasonable training program.

Mr Smith—At the moment we have NetWorks for You. They are trying to promote that. Do you know what I mean by ‘NetWorks for You’?

CHAIRMAN—No; tell me.

Mr Smith—It is a joint Commonwealth-state funded program.

CHAIRMAN—I thought you were talking about a local television commercial.

Mr Smith—One of their main thrusts is not only to teach people to use computers and get onto the Internet but also to do Internet banking.

CHAIRMAN—So they are providing some training through that means?

Mr Smith—Yes; one-to-one training, going out to people’s places.

CHAIRMAN—So that is an offer to rural people generally?

Mr Smith—Yes. That has been here for two years now.

CHAIRMAN—You are the first group who have advised us of that.

Mr Smith—It is pretty well everywhere.

CHAIRMAN—And that is being used to train people in Internet banking?

Mr Smith—Yes. They go to schools after hours and have training sessions, for example.

Mr Longmire—I think the banks promoted online banking two or three years ago. A lot of farmers adopted that but then they discovered it was too expensive. A lot of the farmers have changed over to Internet banking in combination with online banking.

Mr Smith—As somebody on the panel mentioned earlier, not everybody has a computer or wants to have one or be involved. Again, I suppose the post office has picked up a lot of this business, especially from people who do not want to travel out of town to do simple banking. But not every one of our small communities has giroPost either—Laura and Gladstone are the only ones in this area. Spalding, Wirrabara, Yacka and Georgetown do not have it.

Councillor Burgess—The council has put computers in most of our communities for use. I could not tell you how many people are using them for their banking but there is a facility available in most of our communities for that purpose.

Mr Smith—That is an Internet cafe style set-up.

Councillor Burgess—Yes.

CHAIRMAN—Would you have any idea what percentage of people are doing Internet banking?

Mr Smith—No.

CHAIRMAN—I raise that because there was a young academic who gave evidence a couple of weeks ago at our hearings in Melbourne that had done a detailed study of four small country towns in Victoria in terms of the banking issue. Included in that was an examination of Internet banking. I cannot remember the figures exactly, but I think it was a percentage either in the high 50s or low 60s of people who were generally accessing and using the Internet, but only about 14 per cent were actually involved in Internet banking. What is the experience here?

Mr Smith—People still have a security concern, even though that is brushed over a bit. It is a concern.

Mr GRIFFIN—How far is it to Yacka?

Councillor Burgess—About 35 minutes.

CHAIRMAN—I invite Mr Catford to now join us. Our existing witnesses can stay and make room for one more. Mr Catford, would you like to make an opening comment and do you have any comments to make on the capacity in which you appear?

Mr Catford—I am a councillor with the Northern Areas Council. There are two or three points I would like to raise. One is similar to the point raised by Peter Emery about the managers of the major banks being in Sydney and Melbourne. A local organisation here is mounting a major initiative, which is the Bundaleer Weekend. That is costing close to half a million dollars to get off the ground, and we looked to our local businesses and so on for some support. It is practically useless to go to the major banks here because they claim they have got no leeway to spend money. When other businesses in the town are drawing their income out of the region they like to put something back but the banks, it would seem, prefer to use major national initiatives to spend their dollars—perhaps more in the Eastern States than they do—

CHAIRMAN—In terms of sponsorship—

Mr Catford—Yes. It is unreasonable that there should not be a percentage coming back into the region where they are actually making profits. Years ago it was not so difficult to get a little bit of assistance from the banks but now, for a major event like we are running here, it is just about impossible. That is one point.

My next point concerns Elders and their new arrangements, as you talked about. They used to bank with the National Bank. I am a customer of Elders and, if anything, I think they are offering a worse service now than they were before. Interest on deposits has sneaked down to about one per cent or less; it used to be more than that. The interest rates on overdrafts are sky-high, and I do not know if they do any cash transactions—if you wanted to cash a cheque here in Jamestown they would not have the cash available to give you any spending money. The other issue is that their accounting system is so complicated. I have threatened to close my account because I am sick of all the bits of paper.

CHAIRMAN—Several statements.

Mr Catford—They have several different statements. They push money into one account and then push it out into another. It is a nightmare for accountants and for the customers themselves. I would have to say that, as much as they may have told your committee how they have improved banking, my experience has been the opposite.

One other thing I would like to mention is the predatory methods that the banks use with their credit card systems. When they send my credit card statement out I get about a week to settle the amount owing on the account. They talk about their offer of up to 45 days or whatever of free interest on money. On one occasion, for some reason—I do not know whether I was away or what it was—I was a week late in settling my account. I got an interest bill of \$150 for that one month. I did the calculations myself and I worked it out at \$120 on their 15½ per cent rate. I wrote them a letter and they wrote back. What happened was that they had charged me interest from the day the transactions took place. I did not get any free interest days whatsoever. They went back to the day the transaction took place and charged me 15½ per cent per annum on the items—

CHAIRMAN—For each individual item as it was clocked up?

Mr Catford—That's right. And not only did they do that; they charged me for the transactions in the next billing cycle up until the day that I settled the account. You would think the transactions coming in the next billing cycle would have their free 45 days—but no. That was where the discrepancy of the \$30 in interest came in—in the first week of the period, before I settled the account. That week cost me another \$30 for items that had gone on after the end of the billing cycle. I think they are pretty predatory to treat you in that manner.

CHAIRMAN—Even though ordinarily that would not have been due for payment until the following month.

Mr Catford—Exactly.

CHAIRMAN—Thank you for raising those three points with us. That will certainly add to our deliberations. I thank you all for your appearance before the committee this afternoon, for your written and verbal submissions and for your answers to questions. It has certainly been of great benefit in assisting us with our inquiry.

Councillor Burgess—Thank you for making the effort to be here today. I know it is a little out of the ordinary for you to come out this far. It is much appreciated that you have taken the time and effort to be here.

Committee adjourned at 3.09 p.m.