



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL  
SERVICES

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

THURSDAY, 22 MAY 2003

YARRAMAN

BY AUTHORITY OF THE PARLIAMENT



## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

## JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES

Thursday, 22 May 2003

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

**Senators and members in attendance:** Senators Brandis, Chapman and Murray and Mr Ciobo and Mr Griffin

**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.

**WITNESSES**

**ALLERY, Mr Kevin (Private capacity) ..... 471**  
**BRITTAIN, Mr Richard Leslie Charles, Chief Executive Officer, Nanango Shire Council..... 471**  
**HEAD, Mr Robert, Director, Nanango Progressive Community Ltd..... 471**  
**LEE, Councillor John Archibald, Deputy Mayor, Nanango Shire Council..... 471**  
**MAUDSLEY, Mr Geoffrey William, Chairman, Electricity Credit Union ..... 471**  
**McCALLUM, Mayor Reginald Beach, Mayor, Nanango Shire Council ..... 471**  
**STROHFELD, Councillor Noel Leslie, Mayor, Rosalie Shire Council ..... 451**  
**WEBER, Mr Clinton Noel, Chief Executive Officer, Rosalie Shire Council ..... 451**  
**ZERBST, Mrs Wendy Jane, Secretary, Nanango Progressive Community Ltd..... 471**



**Committee met at 10.53 a.m.**

**STROHFELD, Councillor Noel Leslie, Mayor, Rosalie Shire Council**

**WEBER, Mr Clinton Noel, Chief Executive Officer, Rosalie Shire Council**

**CHAIRMAN**—The committee will commence its public hearing on its inquiry into the level of banking and financial services available in rural, regional and remote areas of Australia. Later today the committee will be holding public hearings in Nanango and making a site visit to the rural transaction centres at Blackbutt and Crows Nest. Tomorrow we will be holding public hearings in Toowoomba and Boonah. The committee expresses its gratitude to all those who have assisted it so far with this inquiry.

Before we commence taking evidence, may I reinforce for the record that all witnesses appearing before the committee are protected by parliamentary privilege with respect to the evidence they provide. Parliamentary privilege refers to the special rights and immunities attached to the parliament or its members and others necessary for the discharge of parliamentary functions without obstruction or fear of prosecution. Any act by any person which operates to the disadvantage of a witness on account of evidence given by him or her before the parliament or any of its committees is treated as a breach of privilege. I also state that, unless the committee should decide otherwise, this is a public hearing and, as such, all members of the public are welcome to attend.

I now welcome the representatives of the Rosalie Shire Council to the hearing. The committee prefers all evidence to be given in public. As I said earlier, this is a public hearing, but if at any stage you wish to give part of your evidence in private you may request that the committee go into camera and we will consider that request. The committee has before it your written submission which we have numbered 16. Are there any alterations or additions that you want to make to the written submission at this stage? That is an additional submission from the Rosalie Shire?

**Mayor Strohfeld**—Yes.

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

**Mayor Strohfeld**—Thank you very much, Senator Chapman. I would certainly like to open by thanking the committee for the opportunity for us to make a submission to the inquiry. It is a privilege to be invited to appear and to comment on the issues that you are investigating.

In opening, to give you a pen picture of our shire, it covers 2,198 square kilometres and it has just under 9,000 people—about 8,700. It is a shire that has had a strong rural base, and this rural base has been augmented by growth in the urban areas, such as adjoining Toowoomba on the southern end of our shire. Yarraman, of course, where we are having this today, is on the northern end. We have in our shire 13 villages, which range from 50 people to just under 2,000. We have 17 public halls; we own five of those halls. We have three static libraries and one mobile library. This is just to give the inquiry a better idea of the type of shire we are.

At one stage we had four banks in our shire or near our shire. We had one here in Yarraman, one in Haden, one in Goombungee and one in the little township of Peranga. We do not have any banks today. We do have a bank agency around the corner from this hall. The Bendigo Bank has an agency run by a local Yarraman resident. It is doing a tremendous job trying to fill some of the void, but I will point out that it is not a full banking facility; it is an agency.

Apart from the banking problems there, our boundaries run within a kilometre or so of the township of Oakey, which is in Jondaryan Shire, and we share a lot of facilities in that town. A lot of our people use facilities in that town, such as the hospital and the doctors. That town had four banks. It has lost two of those banks and the other two have been very seriously curtailed.

There has been a huge impact from loss of banking in our shire. I think that when you lose the banks you tend to lose your town; it tends to die. If you look at Peranga and Haden today, they are perfect examples of what happens. We have had quite serious fallout from the bank closures. I would point out that these banks closed before the electronic banking came in, before the technology was there to give a helping hand, so we suffered pretty badly. In recent times there is electronic banking, and I think some of the rural community has adapted to it. The only problem we have in the rural community, of course, is that it is an ageing population and people do not adapt to change quite as easily or readily as they do in cities. I think that would be borne out in a lot of cases. That is a real problem.

There is another problem we have, and this is a big issue in our shire. In Brisbane, Toowoomba, Canberra or any other city, a young person can most probably buy a house with a five per cent deposit, and they pay an inflated price for that house, because it is fairly easy to sell houses in those big cities. The market is reduced by 30 to 40 per cent for a home if it is out in a rural area. It could be, say, Goombungee, which is only a 20-minute drive from Toowoomba. The value of that house could be \$70,000. The same house would sell for \$100,000 in Toowoomba. They pay the penalty for buying a property in a regional or rural area, but, on top of that, young people then are forced to pay a 20 per cent or more deposit on that home. As far as our shire is concerned, we believe that they have already paid the penalty for buying in a rural area by the devaluation of the asset itself.

Providing banks practise diligence on their lending, we see no reason why they could not accept a five per cent deposit from rural borrowers. Not doing so is driving our young people into the towns and the cities, whether they want to stay in the rural areas or not. This is a real problem for our shire. We have had a lot of these types of problems brought to our council. I am a past president of the Darling Downs Local Government Association and this has been discussed at that association also. It is a problem for rural councils anywhere. The banks give a whole heap of reasons for it, but we find those reasons are fairly erroneous. When the value of the asset is devalued to start with, we cannot find any real reason why they should penalise the borrower on top of that. That is a problem as far as we are concerned. We also find it is a lot harder to get venture type capital for industry in rural areas. I will leave it at that at this stage.

**CHAIRMAN**—Thank you, Mr Strohfeld. I refer to your comments on the housing situation in smaller towns. You said that when people buy houses in these towns, the houses are devalued. Wouldn't it be the fact that they can actually buy them more cheaply in the first instance?



**Mayor Strohfeld**—That is the point I am making. The value of the house is lower because of the locality. What we are saying is that there is a penalty for the locality of the home being factored into the price already. To penalise the borrower on top of that, with the amount of money they have to find, makes it difficult.

**CHAIRMAN**—It is not the issue that they buy the house and then they find the value is lower later? They are getting the benefit of a cheaper house, essentially, when they buy it, but the issue is the fact that they have to find 20 per cent rather than 10 per cent?

**Mayor Strohfeld**—Five per cent or 10 per cent, whatever it is.

**Mr GRIFFIN**—What sort of average price are we talking about for a house around here?

**Mayor Strohfeld**—We had a situation recently where there was a home in Goombungee for \$70,000. The same home in an ordinary suburb in Toowoomba would most probably have had a value of \$110,000 to \$130,000. Twenty minutes away, the home is worth that. The Goombungee house has a ready market at that price in that area—just as ready a market as the one at \$110,000 in Toowoomba—but a young couple could go to Toowoomba and buy the same house for \$110,000 on a five per cent deposit. To buy the \$70,000 house, the same value type house in Goombungee, they had to find 20 per cent. That 20 per cent meant that their father had to be a guarantor. In our shire I know of only one house that was sold that did not meet the reserve. I am sure in cities there are houses being sold every day of the week that do not meet the reserve. I find it totally unjust.

**CHAIRMAN**—We had the same evidence raised in the northern area of South Australia in terms of not only houses but also commercial premises in the country towns and the higher deposit that is being applied. I am sorry, I have asked a question. I wasn't sure whether you, Mr Weber, wanted to make an opening statement as well before we proceed to questions?

**Mr Weber**—No.

**CHAIRMAN**—I also note that in your supplementary submission you make reference to your mobile library service and raise the possibility, I assume, from what you are saying here, of extending that to a mobile banking service. How much consideration have you given to that? How effective do you think it would be? What might be the impediments to establishing a mobile banking service in the area?

**Mr Weber**—The mobile library has been such an outstanding success in bringing library services to all areas of our shire—and our shire is by no means large—that we thought we might be able to piggyback on that exercise. The library goes as far as providing Internet and email services to all areas of the shire. There is hardly an area where you cannot get access to those kinds of services. As I say, we might be able to piggyback on that. We are not a hundred per cent sure at this point in time exactly how. It is just an idea that we have floated. It has been discussed as we have been trying to put together our rural transaction centre application for Goombungee. We hope that we might be able to use something out of Goombungee and service some of the areas of the shire, based on the idea of the mobile library. One of the issues is security.

**CHAIRMAN**—I was just going to raise that.

**Mr Weber**—Yes—in particular, in respect of cash. However, I am not so sure that that is going to be a major concern for us. We have a number of collection points for our rate payments around the shire at the moment and we have an arrangement with Wormald Security whereby, when we issue rates, they go to those collection points and collect the funds for us—the cash from the agents. But a shop owner in Goombungee decided that he would get a little bit entrepreneurial, thought there was a demand for an automatic teller machine, had one installed, and then had extreme difficulty in having it refilled. This is not even half an hour from Toowoomba. The banking industry is unable to arrange for an ATM to be refilled when the cash is empty. From the mobile library angle, we see that as being a problem for us, too: if they cannot come out and refill an ATM that is empty, when it is money that they are giving out, we are not sure how we are going to solve that problem from the mobile angle.

**Mr GRIFFIN**—Which bank is it?

**Mr Weber**—I do not know which bank is servicing it.

**CHAIRMAN**—I note there was an announcement in July 2001 regarding \$22,000 funding to proceed with a rural transaction centre. Can you update us on progress towards that establishment?

**Mr Weber**—That funding was to do a business plan for the shire. As the mayor has explained, the shire is quite decentralised; there are a number of small communities around the place. The idea of undertaking that study was to find out where we might be able to establish rural transaction centres, in particular banking services, but a wider spectrum of services—accountants, solicitors, federal government services.

The report council has received caused us some concern. There were two recommendations, one being that we establish a rural transaction centre here in Yarraman. Council has since considered that, and, because the major request was for banking services and there is the agency here with Bendigo Bank, we investigated that further and felt that there could be some adjustments made through the bank and through some of the other agencies. The pharmacy took up some of the Medicare issues. We felt that, by going through that process and highlighting the deficiencies that existed in Yarraman, we were able to fill the gaps without going through a full rural transaction centre exercise. That has worked quite well. As I say, it has probably filled most of the gaps that we identified in that process.

Goombungee was the other area identified. We intend, within the next couple of months, to lodge an application to have a rural transaction centre established in Goombungee. There was a National bank in Goombungee. That left, and some of the other industries left, and in the time since then all the buildings have been taken for other purposes. Their uses have changed; they are not commercial buildings as they were the past. Consequently, there has not been a building for us to establish a centre in. At the moment we are in the process of redesigning the shire administration building in Goombungee, which will incorporate expanded library services and a cultural centre, but also provide an area where we will be able to put our rural transaction centre. Hopefully, we will meld that with our Queensland government agent program that operates out of the office at the moment. That will give us a centre to work from there. That is where we are up to at the moment. We will meet next week with the architects who are going to arrange those design changes for us.

The other area that was nominated was Kingsthorpe. We have yet to move down there. Kingsthorpe is a township with a population of probably 1,800 people. The majority of its development is very recent and it has very limited services. We hope to be able to progress that in the not-too-distant future.

**CHAIRMAN**—In your consideration of the establishment of the rural transaction centres, have you identified any shortcomings in that program that need addressing?

**Mr Weber**—The issue for us was the perception of how the program was going to run, as it was explained to us, as against our particular situation. We were led in a direction in the first place and found that the goalposts changed. We then adopted a stand which delayed our original application and subsequent consideration of some of the recommendations of the report because we seemed to be at cross-purposes with the advice that was coming out of Canberra. That has slowed us; there is no question about that. We felt that our very original proposal was probably the best one.

**CHAIRMAN**—Can you enlarge on that a bit—as to how Canberra was apparently interfering?

**Mr Weber**—Not necessarily interfering, but Rosalie Shire has 13 individual small communities, and the program was aimed more at areas where there was a larger population in a more confined area. We are spread out so much more. We had difficulty getting understanding in Canberra as to the number of townships that are outlined here—that some of them were only three or four kilometres away, with 200 or 300 people in each town, but that, when you get to the local politics, they are distinctly local, distinctly two different towns. That, as well as the understanding of the very decentralised nature of the place, was difficult to get across. There were a number of references to places like Miles and Bell where the population is in one area and the services that can be provided are different. Our main problem was getting somebody to understand where we were coming from rather than them trying to explain to us where the program was coming from.

**CHAIRMAN**—I note that both in your written submission and in your evidence this morning you have said that you have a Bendigo Bank agency here in this town.

**Mr Weber**—Yes.

**CHAIRMAN**—That is not a full Bendigo Bank branch?

**Mr Weber**—No.

**CHAIRMAN**—Nor is it a community bank type of bank that is established in association with Bendigo Bank in some rural areas?

**Mr Weber**—No.

**CHAIRMAN**—Have you explored the option of the community bank? If so, what was the outcome of that?

**Mr Weber**—We have spoken to Bendigo Bank. Because the Yarraman branch is the only bank left in the shire, obviously we bank with them and we support them to the hilt. We have spoken with Bendigo a number of times about the establishment of a community bank or some kind of a shared facility in Goombungee or elsewhere in the shire. They have been supportive and very positive in discussions about the concessions that they may give us as against some of the other sites that they have established. Again, that comes back to the establishment of the RTC; they are not prepared to do it unless they have our support and somewhere to go. Down at the southern end of the shire at the moment, we do not have that.

We have also had discussions with Heritage Building Society. They are keen to operate in one of two ways. One is as a community bank, which is what they have done in Crows Nest. It has been very successful. The other one is to operate on the basis of an agency. They are not prepared to commit themselves until council has somewhere where they can set up and they understand the type of business that they are likely to do. They are, again, very supportive; it is going to be interesting to see how we negotiate who is eventually going to provide the service. Both feel that locating an agency or having some kind of a presence in Goombungee is a great move for them—particularly, I think, Heritage, because they have such a large customer base in that area.

**CHAIRMAN**—With a community bank, you are obviously aware that the local community, in essence, has to raise a certain amount of capital to establish the bank and so on. Is it your perception that there would be enough support for a community bank within the area to raise that base capital requirement, and so on, to fulfil the general requirements that Bendigo Bank has?

**Mayor Strohfeld**—If we can put up the right case, I believe there to be enough money out there from the community.

**CHAIRMAN**—We had evidence from Jamestown in South Australia that, when they went down the path of establishing a community bank, to make it viable they had to ensure they got some of the key farming people in the area as potential customers, and they found that, once the major banks discovered that the community bank was on the go, they went to their existing customers and offered them better deals. Have you had any signs of that in this area, or haven't you got perhaps to that stage of detail yet?

**Mr Weber**—We have not really got to that stage. Certainly in the discussions around the traps, it has been a comment that has been made—probably offhand. Loyalty is a trait that is very strong in rural areas, and loyalty to banks in particular, but—and I have referred to it in the submission—from a banking point of view, the loyalty seems to go out the window when things start to toughen up.

**CHAIRMAN**—From the bank's side?

**Mr Weber**—From the bank's side.

**CHAIRMAN**—The bank's loyalty to the customer?

**Mr Weber**—Yes, to the customers. It is not a two-way street, unfortunately.

**Senator BRANDIS**—When was it ever a two-way street, Mr Weber?

**Mr Weber**—I will pick on the National. They have had a strong presence in rural Australia over a long time. Somebody made a decision in Sydney or Melbourne that that would no longer be the case, but I think you will find, if you ask the right questions in the right places, that the National is now reassessing the fact that they have withdrawn those services from the country areas. I think we are going to find that attitude that you indicate, especially if we are lucky enough to have a change in seasons. The banks will come in and we are going to have some difficulty fighting what they will be prepared to do.

**CHAIRMAN**—Currently, if you look at the four majors—ANZ, Westpac, National, Commonwealth—where are their nearest full branch facilities located?

**Mayor Strohfeld**—On the northern end it would be Kingaroy. On the southern end, depending on what part of the shire you lived in, the nearest would be either Toowoomba or Oakey. The Commonwealth has closed in Oakey. The Westpac has closed in Oakey. There is a presence there of the National, which has a two-hour lunch break in the middle of the day, when they are shut, and I think there is a restricted ANZ. That is basically the story down there.

**CHAIRMAN**—For a full banking facility you are talking Toowoomba, then?

**Mayor Strohfeld**—We have a councillor who would be a very big banker with the National. He banks in Oakey, but to talk to his manager he has to go to Toowoomba. This is the type of service that banks are offering today. Most of the people who are in the offices in these smaller areas today have no decision-making power at all. It is all referred to the bigger regional city.

**Senator BRANDIS**—I want to pursue the loyalty issue, to lead into a broader question, and that is the relationship between rural bankers and rural communities. Can I make a couple of observations and invite you both to comment on them. It seems to me that in a lot of rural communities there has been a view of the role of the bank—and in particular the role of the local bank manager—as one of community support structures. The local bank manager has almost been like the schoolteacher, the local chief of police, the doctor or the priest. What rural communities are coming to terms with in more recent times is appreciating that the banks are not a social service and the bank manager is not really to be compared with the schoolteacher, the doctor, the priest or the local chief of police, because banks ultimately make commercial decisions. Can I throw that up and invite you to comment on it—whether you agree with it or disagree with it, and how you see the relationship evolving between banks in rural centres and rural communities.

**Mayor Strohfeld**—Pardon the smile. We have a community here that has gone through very hard times; I think a lot of our rural people would tend to equate the banks more with an undertaker than a priest. I wish I was joking when I said that. As mayor, I have seen a lot of fairly tragic things happen recently. We had 10 years of very bad drought here. We have had dairy deregulation where—for a reasonably short time, I might add—the price of milk dropped. This is one of the largest dairying shires in the state of Queensland. I have seen wives of dairy farmers break down in front of me, and they have broken down simply because banks have virtually told them that they have come to the end of the road.

**CHAIRMAN**—This is in the context of having had drought?

**Mayor Strohfeld**—Yes. Drought and deregulation.

**CHAIRMAN**—Looking around this area as we travelled through it, I assumed that, given normal seasons, this would be a fairly rich area. Compared to some of the South Australian country that I am used to, it looks to be a fairly rich farming area provided you get your normal sort of rainfall, but you have had an extended drought period.

**Mayor Strohfeld**—The point I was trying to make really was that this particular reasonably young farming couple still own the property, but they are working off the property now. They were virtually three generations on that property. They would have been unviable with the low price at that time. It lasted about two years. Today the prices are back to within a cent or so of what they were. They would have survived in reasonable seasons, and most probably prospered again. That farm is closed now. That flows on to businesses like my business and others, and we have suffered for it. We lost half our business because of this. I would have had a bank manager also tap on my door and say, ‘We don’t want you any more because of all this.’ Luckily, I was financially strong enough to survive it, but there are a lot out there that are not. I think this is where the loyalty is. I think that banks today are so preoccupied with their shareholders and with the bottom line that they forget that they also have customers and that they should be in there for the longer haul rather than the short-term profits.

**Senator BRANDIS**—But, Councillor Strohfeld, they are obliged by law to be preoccupied with their shareholders.

**Mr Weber**—They are not required by law to be short term with regard to shareholders, and they are required to pay attention to future shareholders as well as present shareholders.

**Senator BRANDIS**—Yes, I accept that. Let me give you a hypothetical case. I do not know if you are a primary producer or not, Councillor Strohfeld, but let us say a person in this district is a primary producer, they have five or six lines of produce that they take to market, and one of those areas of their business is not making a profit. The rational business decision for them would be to cease to produce that particular line of produce. It is not immediately apparent to me that there is a difference in principle between that and a bank which is obliged to make a profit for its shareholders, or to do the best for its shareholders, looking at a sector of its business and saying, ‘Well, we’re not making a profit out of this sector of our business; therefore we should close it down.’ I appreciate that there are other dimensions to the role of banks than merely being profit making entities, but it does come down to the fact, doesn’t it, that banks, like any other company in business, are entitled to make business decisions?

**Mayor Strohfeld**—Yes, I do not have a problem with banks making business decisions. I make business decisions every day of the week. I know, as a businessman, that I have to have customers. I also know that sometimes my customers do not pay quite as quickly in the middle of a drought as they do in other times; I make allowances for that, and I do not charge them a huge premium to do this.

**Senator BRANDIS**—This goes to another issue, bank fees, rather than the actual physical availability of services. I understand that is another dimension to this.

**Mayor Strohfeld**—Senator Brandis, I have heard of some of these customers paying premiums of up to 10 per cent over the rate. I think that is wrong.

**Senator BRANDIS**—A 10 per cent premium on the lending rate?

**Mayor Strohfeld**—Yes.

**Senator BRANDIS**—Banks make those judgments on the basis of an assessment of risk.

**Mayor Strohfeld**—When they own the real estate that should go up and is going up all the time, it is very hard to justify. They are really hitting hardest the people who can least afford it.

**Senator MURRAY**—Can I follow up on the theme of commercial returns. One of the things the committee can consider is whether there is any way in which we can make it more commercially attractive for banks to be in rural and regional areas. We have had an interesting exchange of evidence and correspondence between the Australian Bankers Association and ourselves and the ACCC. One of the things we have been exploring is whether, in terms of physical banking facilities, it is possible to make it more attractive to have combined banking facilities—four or five banks, or two or three banks, in one bank premises. The ABA has taken legal advice and has said it is problematic. The ACCC has said, ‘If you apply on a case-by-case basis, we’ll consider it.’

The government commissioned the Dawson review of the Trade Practices Act and no doubt will follow up in due course with some legislation. It is open to the committee at about that time to perhaps ask the government to look at this particular area of a kind of barrier to entry, a barrier to commercial flexibility. Has any banking organisation—or have you in your own community discussions—ever run up against the possibility or the desirability of establishing shared physical facilities for a number of banks and the impediments that are attached to it?

Let me tell you how I am thinking. It is open to the committee, I think, to consider whether we should recommend—and I am not sure what the downsides are—that for rural and regional communities of a certain size there should be an automatic exemption from that area of trade practices law, subject to certain criteria. What do you think about those thoughts and those remarks?

**Mr Weber**—In our area I think shared facilities could work, providing we had a facility that would be able to be used. In some areas we possibly could at the moment. Where we have been focusing our energies we cannot—which is Goombungee just presently, and Kingsthorpe—but I think down the track there will be shared facilities. Quite honestly, and having a banking background, I see no reason why banks cannot share a premises.

**Senator MURRAY**—We have had discussions concerning the Australian Centre for Co-operative Research and Development, which says there are legal and regulatory obstacles to establishing what they refer to as community development finance institutions. They are thinking in a slightly different framework to what I have suggested, but they are drawing some of their views on the fact that there is an act in the United States called the Community Reinvestment Act and there is the CDFI fund which provide special facilities for rural and regional communities. I think at the heart of your remarks to us and the evidence we have had

elsewhere with respect to this committee and other committees on other inquiries is that you need special and different policies for rural and regional Australia because it has special and different needs from those of urban Australia. That is the nub of many of your remarks, isn't it?

**Mr Weber**—Very true, yes.

**Mayor Strohfeld**—I would like to think that shared facilities would work. Being slightly cynical by nature, I wonder whether banks would come into it.

**Senator BRANDIS**—They have in other parts of the country. We have heard evidence, Councillor Strohfeld, from the banks. In particular, I am thinking of some evidence we took in Sydney a couple of months ago about the programs for shared facilities that each of the four major banks have engaged in. That raises issues, as well, about privacy, convenience and things like that, but, as a matter of policy, that is something the banks have embraced.

**Mr Weber**—I like the idea.

**Senator MURRAY**—You have discussions in your local government association. Have the sorts of areas that we are discussing here—shared facilities, community development finance institutions, community banking, all those sorts of things—ever been discussed in a formal or intense way or are they merely discussed in passing?

**Mayor Strohfeld**—That question is a sword with a lot of edges, Senator Murray. I think it tends to be left to individual councils to sort out their community banking. Other councils do tend to keep themselves informed as to what their neighbours are doing, but in my time in local government there has not been any real formal structure, apart from the occasional paper.

**Mr Weber**—Yes, there has not been a great deal of comment about it. The anger, I suppose, is being diverted directly at the banks and, to a certain extent, apart from the rural transaction centre idea, not necessarily at other responses to the problem.

**Senator MURRAY**—At the heart of Senator Brandis's thesis to you—and I think he is right—is that you have to accept the commercial foundation on which the banks will operate. But it is the function of parliament and government to try and make competition as fair, fierce and open as possible, which lowers prices, and also to remove such regulations and obstacles as prevent flexibility. It seems to my mind that we are missing two things: sufficient flexibility to allow the market to adjust to changed circumstances, and sufficient incentives and policy mechanisms to meet the need, which is why we are interested in that United States precedent. Do you think we are on the right track with that sort of approach?

**Mr Weber**—My comment would be 'yes'. To answer Senator Brandis in respect of the banking situation, yes, the farmer, say, does decide to change the produce and limit the production of whatever is not currently in stock or what is overstocked on the market. The difference I see is that he does not go to the person to whom he is selling in the markets and take to him with a hammer and break his hand, which is the action that the banks take. They sever that relationship with the bush when they go to these people and make them restructure their debt. They understand that the facilities, the cash and the ability for them to restructure are not there at that point, but down the track they quite likely will be, as they have been in the past. It



seems to me that, over many a year, all of the banks have been able to reap considerable profit from the facilities and services that they have provided in rural Australia, but when times get tough the first place that they withdraw from is the place that set them up and put them in the position where they are now. Sometime in the future they are going to want to come back, and this is where I think the strength of Bendigo Bank and Heritage Building Society et cetera comes in: they are out there in the market, actually fulfilling that service which those other banks have withdrawn from.

**Senator BRANDIS**—I think, Mr Weber, you have really put your finger on it, because increasingly what we see in this country is the fact that the big four banks have their eyes elsewhere.

**Mr Weber**—Yes.

**Senator BRANDIS**—I cannot quote you the figures, but an increasing proportion of their transactions are generated and their profit is earned offshore. They are interested in major transactions which are capital city based. The role of servicing smaller communities, in particular rural communities—the banks will probably protest this, but let me put it very brutally—to an increasing degree does not fit their business models. If that be the case, that just demonstrates the way in which the bank says institutions are evolving, but it does open up a sector of the market which hitherto was serviced by the big banks for smaller, more community specific banks. That is your point, isn't it?

**Mr Weber**—It is.

**Senator MURRAY**—Have credit unions picked up the slack at all in your shire?

**Mr Weber**—In some areas. I can comment on one instance, which would be in Kilkivan—not that far from here—where a credit union has done that. They came in when the bank agency closed and they worked with Kilkivan Shire to establish a credit union in that town.

**Senator MURRAY**—You know the law was changed to allow them to provide more financial services and cheque facilities and all that sort of thing?

**Mr Weber**—I would say in this area, from my observation, it has not been as strong as possibly it could have been.

**Mayor Strohfeld**—I have seen some pick-up for the Elders type of banks that have a real focus. In my own business I see a lot more of these types of cheques coming across the counter, and I believe they are to some extent trying to pick up some sort of slack rurally. Most probably these firms have a better idea of the rural picture, too, and just might be of some help.

**Senator BRANDIS**—Could I turn to another matter, and that is term of reference (b), electronic transactions and new technology. Would you agree generally that the emergence of new technology has alleviated in some respects the problems of distance for people in rural communities dealing with their banks, simply because there are things you can now do over the phone or over the Internet that you could not do before?

**Mr Weber**—Yes, I would support that. One of the things that I noticed in a previous working life was that, when these technologies, and even telephone banking, became available, people in the rural areas who understood those technologies were very quick on the uptake. I will be honest; I knew people who were working much further out in the scrub than I was, and they took it up more quickly than I did because they realised the benefits of it all.

**Senator BRANDIS**—If the banks provide a new technology which is almost uniformly accessible no matter where you are in Australia, whether you are in the CBD of Sydney or Melbourne or in a very remote part of the country, you cannot blame the banks if some people, through old habits, do not habituate themselves to the new technology.

**Mr Weber**—That is true—only to a point, though. And the point I make is the point that I have made in the submission: that especially in rural areas—that is where we come from and that is where we are—the population is ageing. The older the population the less likelihood there is that they will take up these new technologies.

**Senator BRANDIS**—I was told the other day that the average age of Australian primary producers is 59, which is a fairly horrifying statistic.

**Mr Weber**—Yes, that is probably right. I would have to check our statistics, but I would suggest it may even be higher than that in Rosalie.

**Senator BRANDIS**—Sorry, go on.

**Mr Weber**—The issue there, of course, is that these people are unlikely to take up that technology. Discussing this very meeting on Tuesday, a number of councillors commented that their parents and others that they know have not converted to plastic banking; they are still with passbook banking, and that causes problems for people in the rural areas. They are not going to take up computerised technology. There is no chance in the world. If the average age of a farmer is 59, it is unlikely that he is going to learn how to use a computer and therefore be able to undertake his banking. Also, people who come from the city to visit the country and find out that there is not an ATM down the road all of a sudden find themselves lost in a country town with no cash. The other side of it is that I think there is a bit of a myth about computers, and if there was some training, some understanding of what they could do, it would be better.

**Senator BRANDIS**—But, Mr Weber, the phenomenon you describe—that is, people, particularly older people, not wanting to learn a new way of doing things—is a phenomenon just in the nature of things that we see whenever a new technology appears, whether it be this or, 100 years ago, moving from horse and buggy to automobiles. That attitude or habit of mind that you have described is just part of human nature. If the banks provide a new and better technology, you cannot blame them if people, through old habits, do not take it up.

**CHAIRMAN**—Could there be a role or should there be a role for the banks, given that they are providing the new technology, to be more active in encouraging the use of it by providing better training—more hands-on training?

**Mayor Strohfeld**—This was a point I was about to raise too. If it is so important to banks that their customers embrace this, why aren't they being more proactive in training their customers?

**Senator BRANDIS**—Yes, fair enough.

**Mr Weber**—And not selling. There is a difference between training, so that people understand what they are supposed to be using, and selling a service. In selling a service, the ultimate aim is to make a buck, and that is what they are there for. But, if they train, they will acquire the service, which will still make them the dollar. I see a lot of the selling but I do not see too much of the training.

**Senator BRANDIS**—Mr Weber and Councillor Strohfeld, you would be urging this committee, among its recommendations, to highlight the relative inadequacy of the training that banks provide for customers in making the transition to technology based transactions, and encouraging the banks to do more?

**Mr Weber**—Yes, most definitely. I come back to our flagship, our mobile library. We have recently established Internet connections in all of these towns—Acland, Bowenville, Cooyar, those kinds of places. Again, the populations in those areas are older. People are older. We found in the beginning that people came to use the library and take the books as they always had done; it has taken them a while to realise that the computer that is sitting in the corner is something that they can use to talk to their sons and daughters who are wherever in the world. Usage has been slow to take off, but we have pushed it over the last 12 to 18 months and acceptance is increasing. These people, as I say, are predominantly in the older age group.

**Senator MURRAY**—Is there on-site training?

**Mr Weber**—Our librarian provides them with training and shows them how to use it. It is not formalised, and we did not intend to formalise it, from the beginning, but certainly he does provide training. Acceptance has been excellent.

**CHAIRMAN**—Those perhaps lower socioeconomic people in the community who may not be able to afford a computer themselves now have that access through the provision the council has made, if they want to take it up?

**Mr Weber**—Yes.

**CHAIRMAN**—They could use that to do their banking et cetera?

**Mr Weber**—They could do.

**CHAIRMAN**—The way in which technology might be able to substitute for physical banking facilities is one of the issues that we are examining. That does not overcome the issue of cash transactions, though.

**Mr Weber**—No.

**CHAIRMAN**—And there is still a need for cash. Small businesses deposit in cash. People need to withdraw cash. How do you see that aspect being dealt with in rural areas in the technological age?

**Mayor Strohfeld**—I think we should both answer this, because we will most probably answer it from different perspectives. The role of EFTPOS recently in the area has been a great help. I would like to put emphasis on the fact that, when banks withdrew from rural Queensland, by and large it was before these sorts of facilities were available. The damage was done then. It is a slow road back. It is a very big fight every day for the CEO and I to try and find ways and means of resurrecting our shire and getting it on the move again, and the fact that banks have withdrawn does not help.

**CHAIRMAN**—One of the issues that has been raised with us in earlier hearings is the giroPost situation. Most people that have had experience of it are very positive about giroPost, but one of the shortcomings is in relation to the limit on the amount of cash you can deposit through giroPost, which is disadvantageous to small businesses. Would you care to comment on that aspect?

**Mayor Strohfeld**—As a businessman I will comment on that one. When the Commonwealth Bank closed in Oakey, I went to the post office; it was three days, I think, for the transactions to be processed, which was totally useless to my business.

**CHAIRMAN**—When you say ‘the transactions’, what types of transactions were they?

**Mayor Strohfeld**—Cheque transactions.

**CHAIRMAN**—What about the capacity to receive cash deposits from your business?

**Mayor Strohfeld**—That did not worry me. I found it a totally useless facility for that reason. In business today, things have to move more quickly than that.

**CHAIRMAN**—This was clearing cheques, was it?

**Mayor Strohfeld**—Yes. It took three days to get to the bank, to start with.

**Mr Weber**—We would concur with the comments that you have made. The issue we have is the ability for people to access cash from a business point of view. It is limited. They cannot seem to get access to sufficient cash. The lid needs to be lifted.

**CHAIRMAN**—I noticed—I think it was in yesterday’s Adelaide paper—reference to a proposal. I cannot now remember where it was but it was certainly an urban area, not a country area. A council was proposing to charge rent for the footpath space adjacent to an ATM facility because of the disruption it was causing.

**Senator BRANDIS**—It would only happen in South Australia!

**CHAIRMAN**—No, this was not in South Australia. It was in the eastern states somewhere. I do not know whether you saw that report. As a council, what would your reaction be to a council implementing that?

**Mayor Strohfeld**—As a mayor, and having gone around some of the bigger cities and seen people queued up on the footpath at ATMs, I can understand that and I can understand the angst

that that council would most probably feel. They do clutter up the footpaths. That comment might have been a bit tongue in cheek, but you see 10 to 12 people queued up at an ATM on a footpath, virtually obstructing the footpath. I think banks should be made to put them off the footpath. That is my personal opinion.

**CHAIRMAN**—But isn't that militating against maintaining a level of services for people?

**Mayor Strohfeld**—No.

**CHAIRMAN**—If they are required to meet that additional cost, they might say, 'Oh, well, we'll put our ATM somewhere else where we're not going to incur an additional cost,' and that reduces the level of service.

**Mr Weber**—And I think they can. The issue, as I understand it, was that the face of the ATM was basically on the footpath line, which meant that anybody who used the machine was standing on the footpath. As they queued, they blocked the footpath, which is a public walkway of course. I think the number of situations along those lines is probably going to be fairly limited.

**Mr CIOBO**—This is in regard to ATMs. I apologise; I was a few minutes late, so you may have already discussed this. Has the question about the fact that you have ATMs that often sit empty for several days a week been canvassed at all? No? When we took evidence from a number of banking institutions, they indicated that, in part, that was a consequence of not having local facilities in which to store amounts of cash. Has there been any progress? Have you corresponded with the banking institutions concerned about whether there can be a regular service once every three days, or have you considered whether or not council might provide a facility to store cash so that it can be more regularly filled?

**Mr Weber**—We have not. The installation of this ATM is reasonably recent, so the problem is one that we have yet to take up with the banks. We are unsure, as I said earlier, of exactly which bank the store is dealing with. The problem is, of course, that there was a fair bit of fanfare about the fact that Goombungee was receiving an ATM, and now it spends 90 per cent of its time with an 'out of order' sign on it.

The other comment I make is that Goombungee is not Longreach. It is not that far out of Toowoomba city, which is a major regional city. I am sure that the banks—or Armaguard, or whoever fills these facilities—would spend as much time in traffic going from branch to branch as they would driving to Goombungee and back. It is not that far away.

**CHAIRMAN**—Could it possibly be teething problems, then? Were they not sure of the demand patterns for the ATM or is it that there is just not a regular service?

**Mr Weber**—There just does not seem to be a regular service, although teething problems could be part of it, yes. We have yet to follow that up.

**CHAIRMAN**—If it was a regular service and, to some extent, if there were additional ATMs available in a number of townships, that would provide even more impetus for it to be a more

regular service. Would ATMs provide the majority of domestic type transactions that most people are after?

**Mr Weber**—I believe so, yes.

**CHAIRMAN**—It does not, obviously, address the business issues we have been discussing.

**Mr Weber**—No.

**CHAIRMAN**—You speak of the elderly still having passbook accounts. Would you see the transition to an ATM type structure being a transition that is less of a technological change for them than, for example, switching to Internet banking or something like that?

**Mr Weber**—Yes, I would. I draw on the experience of my own parents here, who have not and never will turn on a computer, but have learnt—only fairly recently—to use an ATM. I would suggest that fairly reluctantly they have taken that step, but they have found that it has been convenient, and they are comfortable with it now.

**Senator BRANDIS**—It is just the fear of change, really.

**Mr Weber**—To a certain extent, yes.

**Senator BRANDIS**—People are habituated to doing things in a particular way and they do not want to do it in a new way.

**Mr Weber**—Just drawing on that experience again, while they had a passbook in their hand, that was an official bank passbook, it got stamped, and they were the dollars. That was much more secure than looking at a screen which said, ‘That’s how much money you’ve got in there.’ A passbook is that extra security, I suppose.

**Senator BRANDIS**—Yes, I can understand that.

**CHAIRMAN**—This pertains to Victoria, and I am interested to get your comments on how it applies to Queensland. With regard to the business banking services, evidence that we heard from, I think, all of the banks was that, essentially, any regional centres were in a situation where they would be dealt with. They had a manager that was mobile and could deal with the business banking needs of primary producers et cetera. The impression—what we were led to believe—was that it was all fairly easily done and fairly flexible. Is that the case, do you find, in Rosalie Shire?

**Mayor Strohfeld**—That is a difficult one. For a start, we do not have banks. My comment is the same as before. If you want to talk to a manager who is in the decision-making process, you go to a city like Toowoomba or Ipswich, that type of city.

**CHAIRMAN**—The contention is that they travel to you. You have relationship managers, I think they are called, or something like that. Is it not happening in Queensland?

**Mayor Strohfeld**—Most of the people I know would get an awful shock if the bank manager turned up. They would most probably wonder what was going to happen.

**Senator MURRAY**—They are more like distant relations!

**Mr CIOBO**—Yes.

**Senator BRANDIS**—The banks have told us that, by and large, their program of closing local branches is pretty much complete now, but at the margins there may be exceptions to that. The Australian Bankers Association code of practice prescribes a community consultation period of 12 weeks in the event that a bank is proposing to close its local branch, to consult with the community, to discuss the transitional arrangements for a new way of conducting their banking business with the community, and, according to some of the bank witnesses we had, so that the community could try and persuade them not to close the bank, though I would be a bit surprised if that had ever happened. It just struck me that 12 weeks, three months, is remarkably short; if there were to be dislocation for local people, a period at least twice as long as that would be more sensible. Do you have a view on that?

**Mayor Strohfeld**—My answer to that is ‘yes’ and most probably not much else, but, once a bank has made a decision to close, you could consult till you are blue in the face, I would think.

**Senator BRANDIS**—I am sure that is right, Councillor Strohfeld, but I think really the point of it was, in good faith, an attempt to assist people in making a transition to new arrangements. Even so, it seems to me that to give people only three months notice that the local bank is going to close, particularly if it is a one-branch town, is insufficient.

**Mr Weber**—My comment simply is that I would agree. I agree in particular with your final statement in respect of a one-bank town. In situations where there are a number of banks, the process is not as difficult. Certainly there is considerable pressure brought to bear on the banks not to close, but the history to a lot of this, as you would know, is that banks have a tendency to ring up a branch on Friday and say, ‘Sorry, but you’re not opening on Monday’—not quite, but almost. That is an experience I have had. And you are right: trips to Brisbane to see the state manager of the Commonwealth Bank and Westpac failed to convince them that they should not close the branches. But, yes, a longer time is needed, in particular in those one-bank towns, because people do need time to make different arrangements. The arrangements that I have seen put in place in the past have not really been effective in assisting people to make that transition.

**CHAIRMAN**—Senator Brandis referred earlier to the role of the local bank manager in the community as a sort of community leader. One of the other roles that the bank manager had, more specifically relating to the bank business, was in essence as financial or business adviser to all of the local customers. They therefore had fairly detailed knowledge of the local area in terms of its economic situation, and they obviously knew their customers’ businesses inside out and could be reasonably effective advisers to them. Some of the evidence we have had has commented on the loss of that. The banks say, ‘Well, we now have a dedicated person at the end of the phone who’s responsible for that particular area and he can provide the same sort of advice.’ Have you got any feeling from the community as to how that sort of replacement of the local manager has acted out in terms of local businesspeople, both farming and nonfarming?

**Mayor Strohfeld**—It is a good job one of our councillors is not here—or perhaps he should be here. He often tells some quite interesting stories about these bank managers that come from very large areas into a rural situation and some of the statements and comments they make. This fellow is a dairy farmer. Of course, they lose all credibility with the customer straightaway because they make some very bad boo-boos. When that happens, the customer tends to lose a fair bit of confidence in what the bank manager tells him or her.

**CHAIRMAN**—Are you talking about the current situation where the bank manager is more removed from the local area than they used to be when there was a local manager in the smaller towns?

**Mayor Strohfeld**—They have an accountancy knowledge but they have no industry knowledge. The argument from the bank's perspective is that the bottom line is what they care about; how you achieve it is most probably your problem. But in days gone by, bank managers did tend to act as financial advisers to their customers. Today, about the only time you will hear from the relationship managers that banks talk about is if you happen to be overdrawn.

**Senator BRANDIS**—Councillor Strohfeld, the banks have told us that they very consciously attempt to recruit some of their staff from rural cities and towns and keep them in the rural and regional areas. One of the major banks—I cannot remember which—spoke very eloquently to us about the program they have of training up a corps of agricultural bankers. From my own experience of representing banks when I was a barrister in cases involving rural communities, I know about the phenomenon of the rural bank manager that knew the industry and could talk to the farmer about what sort of fertiliser he should be using, what the weather conditions were like and what the latest developments in the particular forms of crops were. That was a well-known phenomenon but it seems to have disappeared in the last few years. Do you agree that it used to be a well-known phenomenon? My knowledge of this is very sporadic.

**Mayor Strohfeld**—The answer simply is, yes, it was well known. This did happen. They did offer advice. I think they also had knowledge of what was an average for that industry and they had a way of judging the customer's performance against that average. Today I do not think that exists.

**Senator BRANDIS**—Just roughly, how recently do you think it was that those sorts of experienced rural bank managers, who knew the industry very well, disappeared from this district? In the last four to five years, or going back longer than that?

**Mayor Strohfeld**—Longer. I think the decline started 20 years ago and it came to a full stop, the way it is now, most probably 10 years ago.

**Senator BRANDIS**—So, Councillor Strohfeld and Mr Weber, you would urge us, in making recommendations, to recommend that banks should be encouraged to retain a corps of staff and managers who are rural specialists and to go further in the programs they say they have in place to do that?

**Mr Weber**—Yes.



**Mayor Strohfeld**—Yes. This goes to the comment I made before about some of the wool firms operating banking facilities now. You notice more of these types of cheques, at least coming through my business. I believe that people are turning to them because they have some sort of expertise in rural matters.

**CHAIRMAN**—You made a comment earlier that from your perspective the giroPost was a useless facility because of the time it took to clear cheques. Have you discussed that with them? If so, was there any response?

**Mayor Strohfeld**—No. Of course, this is another issue. I am a small businessman and my time seems to be very limited in everything I do. I found out what the situation was, discounted the situation and made other arrangements.

**CHAIRMAN**—Do you believe that that impediment could be overcome, that physically it should be possible for Australia Post to provide a better transaction service for businesspeople in terms of the time it takes for cheques to be cleared, or is it a physical difficulty that is too great for them to solve?

**Mayor Strohfeld**—I think it is a physical difficulty that is too great. Yarraman has an agency, and it would be different if I had a business there. What happens in our business is that we have a throughput of \$1 million or so a year in cheques and all sorts of things—not a lot of money—and several times a week someone from our business drives to either Dalby or Toowoomba to deposit money.

**CHAIRMAN**—Can I ask what sort of a business it is?

**Mayor Strohfeld**—We are in a stock and station machinery type of business. We have to physically drive and deposit money in banks in either Dalby or Toowoomba. We have no closer banks than that at this stage. I am working on it.

**CHAIRMAN**—Perhaps following on from the issue of the manager withdrawing from local smaller towns, have you found that banks are less willing to invest in areas such as this in terms of providing loans for a commercial purpose, whether that is for farming operations or for businesses serving farming operations, since they have withdrawn their physical facilities—or hasn't that changed to any great degree?

**Mayor Strohfeld**—My personal idea of what is happening with banks at the moment is that they have their own type of business plan, where they use their established customers and the earnings from them to give cheaper rates and attract new custom. Most probably the established customer, by and large, tends to pay for it in the end if they do not watch the bottom line. There is always a good margin out there to change banks, but that margin tends to shrink over time.

**CHAIRMAN**—But in terms of access to capital, you have not had comment that it is difficult for people to raise capital if they need to, through the banks?

**Mayor Strohfeld**—I made a statement on venture capital and doing new things. I think it is a lot harder to try and start a manufacturing business in a small town or to do anything that is a little bit out of the ordinary in a smaller or regional area. They most probably understand corner

stores, they most probably understand hotels and service stations, but if you are a bit out of the ordinary I do think it would be a lot harder to raise that capital in a provincial area rather than a regional centre like Toowoomba or Ipswich, Brisbane and those types of places.

**Mr Weber**—The funding has been there, but the comment that has been made to me is that the conditions surrounding the loan have been much tighter. The interest rates have either fluctuated more than they would like or the amount of security required has been higher. It is not necessarily that the funds have not been provided or that the loan has not been there.

**Mayor Strohfeld**—Yes, that is so. I should have added that. Thanks, Clint. The other problem is, of course, that commercial buildings or industrial buildings are not worth as much in a provincial area, so there is more demand put on the other assets of businesspeople to finance those sorts of things. It is a catch-22. Everything is designed to drive you into the big centres.

**CHAIRMAN**—In terms of electronic banking—both telephone and Internet banking—what is the standard of the telecommunications facilities in this area? Are they adequate in terms of having lines that provide adequate speed of transmission and reliability and in terms of not dropping out and that sort of thing?

**Mr Weber**—I am glad that you raised that. In some areas, yes, it is—probably more so in the south-eastern corner. We have no real difficulty. In the town of Goombungee, a lot of telecommunication infrastructure has recently been replaced. Telstra came to town and said, ‘We’ll spend six weeks in Goombungee and we’ll renew this and we’ll renew that.’ Six months later they left; they found that the cost of that exercise was much more than what they had allowed for in their budget. One of the regional organisations of councils centred in Toowoomba has recently undertaken a telecommunications infrastructure review. We are waiting on that at the moment. My impression would be that for the majority of the shire it is reasonable. Here in Yarraman, there are no problems with transmitting at reasonable speed. Certainly where I live, at Gowrie Junction, there are no problems. In Goombungee we have no problems. I would suggest that in some of the other areas it is not too bad. I am not saying it is brilliant the further you go from the larger places.

**Mayor Strohfeld**—We run on the Internet and it is not as fast as perhaps we would like. I think there is a bit of copper technology still there and not fibre optic. I think the main lines are fibre optic, but branch lines come into some of these places. But even with those, you can upgrade to even faster systems. We have been able to operate the business; we communicate overseas nightly and it works okay.

**CHAIRMAN**—I thank both of you for your appearance before the committee this morning, for your written submission, for the evidence you have presented, and particularly for your answers to our questions. It has certainly been most valuable in terms of our inquiry and will make a good contribution to our final report. Thank you very much.

**Mayor Strohfeld**—Thank you very much, Senator, for affording us the opportunity.

**Proceedings suspended from 12.12 p.m. to 12.49 p.m.**

**HEAD, Mr Robert, Director, Nanango Progressive Community Ltd**

**ZERBST, Mrs Wendy Jane, Secretary, Nanango Progressive Community Ltd**

**BRITTAIN, Mr Richard Leslie Charles, Chief Executive Officer, Nanango Shire Council**

**LEE, Councillor John Archibald, Deputy Mayor, Nanango Shire Council**

**McCALLUM, Mayor Reginald Beach, Mayor, Nanango Shire Council**

**MAUDSLEY, Mr Geoffrey William, Chairman, Electricity Credit Union**

**ALLERY, Mr Kevin (Private capacity)**

**CHAIRMAN**—I declare open this public hearing. We have just completed a public hearing in the Rosalie Shire. I now welcome members of the Nanango community to this public hearing. Thank you for hosting it in your council chambers. The committee prefers all evidence to be given in public, but if at any time you wish to give any part of your evidence in private the committee would consider a request to move into camera. We have before us the written submission from the Nanango Shire Council which we have numbered 10. Are there any alterations or additions that you wish to make to the submission at this stage?

**Mr Brittain**—No.

**CHAIRMAN**—Thank you. I now invite one of you—or several, if that is your wish—to make an opening statement, at the conclusion of which I am sure the committee will have some questions.

**Mayor McCallum**—Thank you very much, Mr Chairman. We welcome you and your delegation most sincerely to Nanango. It is the very first occasion that we have had a visit of this kind. We appreciate you coming very much and we look forward to a very enjoyable and educational discussion.

On behalf of the Nanango Shire Council, we took the opportunity to make a submission to the inquiry into the level of banking and financial services in rural, regional and remote areas of Australia. We thought it appropriate to comment on the banking services in Nanango and Blackbutt over the last few years.

The outcome has not been that different from other regions, with bank branch closures and activation of the community into the establishment of a community bank. The town of Blackbutt was affected most, due to the only bank, the National, closing some five years ago. This left the town of some 800 persons and a district of 2,000 without banking services. Fortunately, with strong support from the public and council, we were able to interest the Queensland Electricity Credit Union in establishing a branch at the council office. Representatives of the Queensland Electricity Credit Union community committee from Blackbutt, Councillor Kevin Allery and Mr Geoff Maudsley, are here today and have a greater knowledge of the details than I.

Blackbutt borders 3.5 kilometres on two other shires, whose close residents make Blackbutt their banking town. More recently, in Nanango, the Commonwealth and Westpac have both closed branches and the National Bank has moved its manager from Nanango to Kingaroy and reduced its hours. Westpac has moved its business to an in-store operation. The Commonwealth Bank had its activities taken over partly by Australia Post. With these two closures, a lot of additional business went to the National Bank. Community concern led to the formation of a community bank, in partnership with the Heritage Building Society, which has proven very successful. Mrs Wendy Zerbst was one of the driving forces behind the community bank and is here with us today.

Over the years, the public has become familiar with the managers and staff on a business and social basis. Being forced to travel to another town for financial business is a burden, particularly for the elderly. The community bank in Nanango provides a Saturday morning service that is very convenient for those with work commitments that do not allow opportunity during a five-day working week. A lot of people are using technology and services like Internet banking, but not everybody can use such services. The retention of a traditional bank branch will be necessary for many years to come. Thank you, Mr Chairman and your committee, for your attention.

**CHAIRMAN**—Thank you, Mr Mayor. In relation to the establishment of the community banking service with the building society, what were the factors that led you to go with the building society rather than with the Bendigo Bank, which most parts of Australia that have established community banks seem to have gone with.

**Mrs Zerbst**—We looked at that in a great deal of detail. There are several reasons. We looked at Bendigo Bank first in detail and then looked for alternatives. We found it to be a very expensive option; a large amount of money needed to be raised. With Heritage, there was a great deal less cost. They are very local, they have a good name in the area, we found the rapport between here and Toowoomba, where they are based, to be much easier to access.

**CHAIRMAN**—What made up the different components of cost?

**Mrs Zerbst**—Something along the lines of \$400,000 to \$500,000 difference.

**CHAIRMAN**—Where was that money going to be applied? To what was it going to be applied that Heritage didn't require?

**Mrs Zerbst**—They had a lot of fees that Heritage do not charge. Heritage basically pay for everything, including training, the set-up of the computer systems et cetera. An annual franchise fee was the thing. The system is completely different. It is not a franchise we have; it is a joint venture operation that we have with Heritage. It is a totally different system.

**CHAIRMAN**—We have found in some of the communities—and this was particularly so in South Australia, in one of the areas there that was examining the viability and potential for a community bank—that once word got out that this was happening, the existing major banks went to a number of their key customers in the area who would have needed to come on board with the community bank to make it viable and offered them better deals. Did you find this happening in this area?

**Mrs Zerbst**—I cannot say with any certainty that that did happen. However, I do know that once the manager moved from Nanango to Kingaroy with our only existing bank, which was the National, they did approach their business customers and say, ‘Our service is going to be the same,’ et cetera, trying to justify that they would still be giving the same service despite leaving town. Some customers moved and some customers did not, I guess.

**Mr Brittain**—The National is the council’s bank and we are their biggest customer in town. They made a special effort to come and see us to make sure that we were going to stick with them. It was discussed at a council level. It was iffy as to whether we would switch or stay with the National. It came down on the side of, ‘They are the only major bank left in the town. If we pull out, they will definitely pull out. That will inconvenience a hell of a lot of people who are ratepayers. Therefore, the council at this stage will stay with the National Bank.’

Speaking personally, I have found that the service is not as good as when the manager was here. When the manager left, the loans left, and if you want to arrange a loan they have to come over. You have to do a bit of jiggling around to get the service that you used to be able to just walk in and get.

**CHAIRMAN**—Was there any rural transaction centre funding or CreditCare support provided in your move towards the joint venture?

**Mrs Zerbst**—No, there was not. We looked into that, but we had other existing services that probably would have meant we did not come into that category. We conducted a survey to look at maybe things we could do and to see what the town needed, but it basically came down to the fact that we just needed a good local banking service. That is what we stuck to.

**CHAIRMAN**—How significant was the role of the council in establishing the joint venture, or was it more done by people in the community apart from the council?

**Mrs Zerbst**—It was community driven. I think a lot of people in town said, when the Commonwealth Bank announced it was going to close, ‘Oh, the council should do something about it,’ but as a community member I feel that the council has a lot of other things to do. I do not know that they should be the ones that are having to provide financial services in town and, for something like this to be successful, I think it had to be community driven.

The council could do whatever they liked, but if the community was not going to support it it was not going to work, so we needed to look at something community driven. Also, with our committee we got organised. Possibly the council did not have expertise in certain areas, so, in getting set up, we drew on members of the community who could offer that expertise. We got people on board: people who had been in a bank before, local businesspeople, financial experts, solicitors et cetera. We thought that community driven was probably the best way to go.

**CHAIRMAN**—When did it actually commence operation?

**Mrs Zerbst**—It commenced operation in December 2001.

**CHAIRMAN**—About 18 months of operation.

**Mrs Zerbst**—Yes.

**CHAIRMAN**—Have you had time to determine the strengths and weaknesses, the pluses and any shortcomings in it, in that time?

**Mrs Zerbst**—Probably our major concern has been that we have been through two managers in that time. Attracting a manager to this area is not necessarily easy. We seem to have one in place now who is very happy to stay. As for the process itself, the financial figures that were given, the expectations, have been exceeded. We were not supposed to be making a profit for 18 months and we started making a profit within nine months, so we have to say that the venture has been extremely successful.

**CHAIRMAN**—When you say ‘making a profit’, is there any capital element that you have to service, or is it purely a profit and loss based on your operational costs?

**Mrs Zerbst**—We had to raise funds within the community to get it off the ground, so that put us back a bit, and we have not reached a full realisation of those funds back yet, but we are making a monthly profit towards getting back to a baseline again. Yes, there were community funds into that.

**Senator BRANDIS**—Mr Brittain, pardon me if you addressed this when I was out of the room. In your submission you say:

Whilst the major banking organisations promote on-line services available to all, telephone services and internet services could be improved in our area to facilitate these changes.

Would you care to elaborate on what particular changes you have in mind that could be brought about?

**Mr Brittain**—Through you, Mr Chairman: I live seven kilometres out of town on a block and our telephone lines are old copper lines, which makes Internet banking slow. It makes any sort of telecommunications slow.

**Senator BRANDIS**—That is part of the upgrade to the infrastructure.

**Mr Brittain**—Yes, that is right. The other issue is the availability of technology to our demographic. We have a lot of older people in this area. Our population growth tends to be retirees, people who sell their houses in Brisbane, Sydney, those sorts of places, come up here and buy a block of land for about \$10,000 to \$12,000 and build a house on it, and they still have a nice little nest egg for the next 20 years. Those people and a lot of our older existing residents who live in town do not have technology skills to be able to access Internet banking. They are afraid of it and they really want the face to face. They want someone to do it for them.

**Senator BRANDIS**—Mr Brittain, that very same point was just made to us when we met with representatives of the Rosalie Shire in Yarraman earlier in the morning. Other witnesses please feel free to comment. Can I put it to you that if the banks provide a new technology which did not exist before, which enables transactions to be made in an efficient manner, and that is

uniformly available to city people and country people, it is not really the bank's fault if, by reason of force of old habits, people do not avail themselves of the new technology.

**Mr Brittain**—It is certainly true, Senator, but I would also point out that my wife does Internet banking and I know how much it costs, and they are not backward in coming forward and giving you a good sting for it.

**Senator BRANDIS**—So there is the issue of the fees charged for Internet banking transactions?

**Mr Brittain**—Yes, as well.

**Senator BRANDIS**—What about the suggestion we heard from the CEO of the Rosalie Shire a little earlier in the morning that the banks ought to provide much more extensive training of their customers in the use of Internet and telephone banking services than they do? Would that help to meet the problem, do you think?

**Mr Brittain**—That would certainly help address the problem. I still do not think that that is going to completely answer the problem because some of these people are afraid. I am going to use my mayor as an example. If he had to use a computer, he would not even know where the 'on' button was.

**Mr GRIFFIN**—There's no shame in that!

**Senator BRANDIS**—The same comment could be made about any change in technology.

**Mr Brittain**—That is right. I agree. Certainly more easily accessed training would be nice.

**Mrs Zerbst**—I do not think that addresses the real issue, which is that many in our community are either elderly or frail and elderly, and no amount of training is going to get them to even use an ATM, let alone use a computer, or even telephone banking. They just find it impossible. They really want to walk in somewhere and hand their passbook over and feel safe and secure.

**CHAIRMAN**—What has been the impact on the area in terms of the closure of branches in relation to the removal of bank managers, both in social terms—and this has been raised in earlier hearings, where the bank manager was one of the icons of the local community in earlier days—and also in terms of the availability, particularly to businesses in the town and farm operations, of business advice, the ready availability of business advice, where the bank manager was always relied on as a major source of advice in that area?

**Mayor McCallum**—Mr Chairman, as somebody who lives in the bush, and a primary producer, I know how much we appreciated being able to go into the local bank to see the local manager and talk to him over the table. He would tell you what he wanted to tell you, you could put your cards on the table, and you would go out quite happy. And, as you said before, on a social occasion you would see them uptown. You would have a talk; you might have a drink with them, and the staff. It made for a very happy, united family, and certainly the bank managers going did take away a lot of the happy enjoyment that used to exist with the banks. I would like

to suggest through you, Mr Chairman, that Councillor Allery or Geoff Maudsley might like to comment on just how it affected Blackbutt, because that was the first bank to go in the shire and that certainly had a very heavy impact on Blackbutt.

**Mr Allery**—When it started in Blackbutt, it was like a disaster there, because the community had nowhere to go. They closed, and our accounts were all shifted to either Kingaroy or Nanango, and a lot of the elderly people had no transport to get up here to do their business. Getting back onto the subject of the bank manager, we have certainly lost something in the town for the simple reason that, as the mayor just said, you could approach him and put your cards on the table, say what you want, and he could explain it to you. Now there is none of that in the town and it is making it very hard. As was just said, we are a lot of retired and elderly people and we did not have any of that, and that was a real problem at that time.

**Senator MURRAY**—Explain to me the lack of services for elderly people. I can see that the people who need loans and a higher level of financial service would have a problem, but your submission says that you have three facilities available. You have the Commonwealth Bank through the post office, you have the Heritage Building Society and you have the facility, you have put in here, of the credit union operation partly funded through the council, and I presume you have the post office doing giroPost as well. Those would all deal with ordinary transactions. Elderly people, just ordinary residents as opposed to businesspeople or farmers and so on, what would they miss?

**Mr Allery**—It is the bank manager that is the loss, because you do not have any bank manager to approach. You have to make an appointment in Kingaroy. You might have to wait a fortnight to get in to see him, and the elderly people do not have transport, so they have to get people to take them, and it is an inconvenience for them. The main problem we had was when the bank closed. We had nothing. Now that the credit union has come aboard, and the council, with their support things are starting to level out.

**Senator MURRAY**—Is there a financial planner in town? Is there somebody who has developed a business as an intermediary; you go to them and they will sort out the loan for you, they do financial planning and superannuation services, and all those sorts of things?

**Mr Allery**—Yes, we have the manager in the bank down there that will certainly help you in that way, but they are restricted in a lot of the loans that they can give out. They have to go then to a bank manager in the National Bank in Kingaroy to get a loan for the rural areas that I am talking about. The credit union is quite suitable for house loans et cetera at the moment.

**Mr Maudsley**—To add a little to what Kev is saying, I have found that the credit union is restricted to a great degree by APRA rulings that force the credit unions to take first mortgage against the lendeer's principal place of residence. In addition to that, credit unions cannot do HP agreements, they cannot do leasing. The banks have no such restrictions. We find that we, the credit union, are not reaching our potential. We went through the surveys and planning and we went to council to get that branch open and we have never been able to reach our potential, through no fault of our own.

**Mr GRIFFIN**—Are you making a profit? Is it a viable business?



**Mr Maudsley**—Mr Brittain might be able to tell us.

**Mr Brittain**—No. The council subsidises it to the tune of between \$8,000 and \$10,000 a year. That is basically the wages.

**Senator MURRAY**—I must say, as an aside, I am quite shocked that the ratepayers of a city would have to chip in for what are basic financial services. It is an indicator of a problem. The reason I am asking questions in the way I am is this: everybody in this room has been around long enough to know that there is a long distance between theory and reality, but the theory is that when a service goes, the market will find ways of filling it. To some extent that has happened through your own energy, with the Heritage Building Society and so on, but one of the things we have to look at as a committee from a policy point of view is whether we recommend that impediments to further market provision are taken away. That is why your practical examples of regulatory or law difficulties are important. If one of our areas of consideration were to give credit unions and banks and, indeed, the restrictions under the Trade Practices Act much less rigour in rural and regional Australia, you then get the market forces able to fill the gap so that people come in and they will do the HP services, the superannuation services, the loan services and so on without the present restraints. It is important that we get a grip on precisely what is missing in the community.

**Mr Brittain**—Senator, in Nanango town itself there are two accountants. One of them, a bloke called Graham Archdall, runs the Burnett Business Centre. He is on the community bank board and he was one of the drivers for the community bank. You can go and get superannuation and financial planning advice from Graham Archdall, but he is certainly no specialist financial planner. He is not the likes of Whittaker McNaught or some other organisation such as that. Down in Blackbutt there is no-one who has those talents. If you wish to avail yourself of those sorts of services, you either transport yourself to Nanango, Kingaroy, Brisbane or somewhere like that, or you make an appointment with the credit union and they may get someone to come up some time in the next two months. It is a real problem that there are no specialists around, easily available, particularly down in Blackbutt.

**Senator MURRAY**—I guess we are looking a long way down the track, but if technology develops to the extent that videoconferencing becomes both affordable and accessible so that somebody can go into, for instance, a booth and physically see the person they are talking to in Toowoomba or Kingaroy and you get as near as you can to a personal interaction, would that relieve the pressure that you see, or is that still a real difficulty?

**Mr Brittain**—I am probably the only one amongst the people down here who has had experience with videoconferencing. Yes, I believe it would. We have one sitting just there. We have used it only a couple of times for job interviews. We need to do more promotion of the facility so that people in the community can avail themselves of it, which is precisely what you are talking about.

**Senator MURRAY**—One of the options is either for agencies or businesses to provide that service—for a fee obviously, which again is a problem for people—or for rural transaction centres to provide it as part of the service in an RTC and for people to get used to that sort of activity.

**Mr Brittain**—I agree with you, Senator. I think it would be a good thing to have in an RTC, but, as the operator of an RTC, I do not want to be wearing the cost of operating a videoconferencing centre in Blackbutt.

**Senator BRANDIS**—I wonder how you measure this problem of the absence from a local town like this of a bank manager who can be called upon, who you can have a face to face conversation with and who can give financial advice. I do not know if we have any statistics about how often people make appointments to see their bank managers, but I cannot imagine it is all that often. In this town, if you wanted to speak to a bank manager face to face and talk about your business or your affairs, it would require you to go to Dalby or Toowoomba. Is that right?

**Mr Brittain**—No. Generally, the bank managers here are from Kingaroy.

**Senator BRANDIS**—How far away is Kingaroy?

**Mr Brittain**—It is only 20 minutes away.

**Senator BRANDIS**—I can understand that there is the question of the absence of cash handling facilities, and that is a problem. I can understand, as you were explaining before, the problem of older people in particular feeling uncomfortable about using the new technology based services and the costs that might be associated with them, and I hope I am not sounding unsympathetic, but I cannot imagine it would be a great burden, on the relatively few number of occasions when people need to look at their bank manager face to face, to go 20 minutes up the road.

**Mrs Zerbst**—There is a perception certainly that, ‘Okay, we’re close to services; Kingaroy has a big shopping centre; Kingaroy has all the major banks,’ but our concern came down to not just having our own financial services but maintaining the levels of service in this town so that it continues to grow rather than decline, because when services are withdrawn people go away. I believe that this town is poised to explode with people coming in because of the great lifestyle we have here, but if we do not have services it will not happen here, it will not happen in Blackbutt or Yarraman; it will happen in Kingaroy. Basically, you have a whole area there that declines. Once those sorts of things start, it is a downhill slide. This is our community. We want to keep it as a community and keep it expanding, not disintegrating.

**Senator BRANDIS**—I understand, and your point is well made, Mrs Zerbst, but it is a bit hard on the banks to say that this is specifically a problem about the banks. The banks are part of a suite of necessary items of community infrastructure, and the observation you just made could be made about the service station or the post office or any one of a number of those community service providers, couldn’t it?

**Mrs Zerbst**—That is quite correct, but our service stations and our post offices are not closing; it is our banks that are closing. I am coming from a personal position, not a business position. I do not want to go back to the dark ages or way back when, but banking was always considered a service industry and now it is considered a money making industry for large companies that do not provide service. I know that is harking back to the past.

**Senator BRANDIS**—That is where financial institutions like yours come in. If the big banks, whose eyes are more and more concentrated on major commercial transactions and offshore transactions, vacate the field of local communities, particularly rural communities, because it does not fit in with their business plan, in effect, that does open the field for community based banking, and isn't that the answer?

**Mrs Zerbst**—I do believe it is the answer for this area, and probably a lot of other areas. If that is the case, it needs to be more easily able to be set up. I find it perfect for here because now our community gets some of our money returning to our community rather than going to some big corporation that people have shares in. I am very happy with the system now, but it took some getting there and it was not something that was easy. It took quite a bit of drive and effort to get that going.

**Mr CIOBO**—In regard to that, Mrs Zerbst, is that because you were one of the first or is that part of a broader problem that other communities that perhaps have now had the chance to do a case study of Nanango—

**Mrs Zerbst**—It is probably both. When it comes to the organisation we went to, which was Heritage Building Society, we were the second. Crows Nest was the first. I guess that that community and Heritage themselves had more teething problems getting that set up. They have a very good system set up now, ready to go. From a community point of view, you cannot just snap your fingers and get a committee together to form a company that has the necessary expertise and drive. I know there are communities around that are going down the same pathway but do not have a driving force; therefore it is not working, because it does need to be community driven.

**Mr CIOBO**—What sort of time frame did it take for you to establish Heritage here?

**Mrs Zerbst**—It took nine months of solid work from start to finish. That was fairly swift. I think when Crows Nest did it, it took something like 18 to 20 months to get it up and running.

**Mr CIOBO**—Are you aware of how long it takes now for new communities on average?

**Mrs Zerbst**—There have not been any new community banks opened since ours, as far as I know.

**Mr CIOBO**—Why is that?

**Mrs Zerbst**—That same thing: there needs to be a driving force. When it is a community venture and a joint venture, it cannot be driven by the company, it cannot be driven by Heritage, because the success remains in getting the community behind it, and there is difficulty finding people in a small community that have the expertise and the drive to get it done.

**Mr CIOBO**—Is that an indication of a lack of community spirit to do that or is it an indication of a lack of demand?

**Mrs Zerbst**—I would not say it is a lack of demand and I am not sure that I would call it community spirit. I would say it is possibly a lack of suitably qualified people to run the venture.

**Mr Brittain**—When the Commonwealth announced that it was going to close, the council said, ‘Oh, well, it looks like we may have to do something here,’ so we went down and visited Crows Nest Shire, and I came away from there thinking, ‘Bloody hell!’ Then two weeks later, Wendy gives me a ring and says, ‘We want to get this committee together and this is what we want to do,’ and I thought, ‘You beauty! Excellent! Great!’ because one of the reasons they took so long down in Crows Nest—and no doubt they will tell you about it this afternoon if you ask the questions—was that they were really feeling their way. They did not necessarily have a pathway to say, ‘You’ve got to do this, this, this and this.’ It made it a lot easier for Wendy’s committee because they could talk to them and they could say, ‘Yeah, do this, this, this and this.’ I think, from a community member’s viewpoint, you have to have the time to do it, but you have to have confidence in your own ability to actually get out there and do it. I think that may be a big drawback for a lot of smaller communities in getting something like this up and running.

**Mr CIOBO**—Can I pick up on a separate issue now that we were discussing previously, and that is the split between the typically elderly residents of a community who in essence are looking for a type of relationship with a financial institution that is principally built around, for example, them going and withdrawing \$100 to \$200 a week on an ongoing basis to use for grocery shopping and those types of things, versus the types of transactions that add value to a banking institution, that are profitable and commercial. If I were to split those into two separate layers, it would probably be fair to say that the majority of transactions that take place at a bank in a regional community are the former and that what banks are after are the latter, because they are commercial, and if it is commercial they will more than likely keep their services in the community. I say all of that because what I am interested to know is—and I would be keen to get Councillor McCallum’s response to this—what would be council’s thoughts on a situation where, for example, those types of basic transaction services were provided by council and council was the one that was the repository for funds and those types of things, just for over-the-counter withdrawals?

**Mayor McCallum**—Could I get Councillor Allery or Mr Maudsley to answer that, because we do have one operating in Blackbutt?

**Mr CIOBO**—Yes, sure.

**Mr Maudsley**—What angle are you looking for?

**Mr CIOBO**—What I am talking about is a situation where, for people who are just seeking an opportunity to withdraw funds from an account and nothing more sophisticated than that, that service were provided by council.

**Mr Brittain**—It is. Sorry, I am butting in again.

**Mr CIOBO**—Yes, all right.

**Mr Brittain**—What is going on in Blackbutt is exactly what you just said. When National Bank pulled out, the credit union went in. The businesses stayed with the National Bank and they are basically all still with the National Bank. All the credit union is dealing with is the mums and dads and the pensioners. That is the reason why we have to stump up our cash to keep it going.

**Mr CIOBO**—What is council's view of that? How does the community respond to ratepayers' dollars going into that?

**Councillor Lee**—It is just another service that rural local authorities are expected to provide for their ratepayers. We provide halls; the rental does not pay its way. We provide a swimming pool; that does not pay its way. And in reply to the senator saying he was shocked that council ratepayers had to subsidise banking activities to make it pay, if we were to wave a wand tomorrow and the credit union in Blackbutt disappeared, there would be a terrific upheaval over it. You just could not do it, because it is a community facility that is provided by the council and is expected by those people down there to be provided by local authority.

Getting back to Senator Brandis saying a bank manager is only 20 minutes up the road at Kingaroy, that may be okay, but when all your other business activities are here in Nanango and you have to go 20 minutes up the road to Kingaroy, you go up there in 20 minutes and you do your day's shopping and your day's business and your day's everything while you are up there.

I am a long-time Westpac client from way back when it was a CBA bank, and their forebears before them, and I got rings and letters from the branches and so forth telling me that the services would be the same, if you wanted financial assistance they would come out and see you and they would do this and that and something else, but an in-store banking institution is not like a bank itself. You go into the chemist shop; it is the chemist. They have people for over-the-counter prescriptions and you do your business on the side there. That banking atmosphere has gone.

You could walk into your bank before, you would be doing your business at the counter, and the manager may be out over there. He would look around and see you and say, 'How are you today?' He would walk down to the end of the counter and you would have a yarn about something that was going on. Or you would go in one day and say, 'Can I see the manager?' 'Oh, just a minute, I'll see. Yes, come on in. He can see you,' or, 'Come back in 15 minutes.' Now if you want to see him, you have to ring up Kingaroy and, if you are lucky, you might get an appointment in two weeks time. That banking atmosphere has gone and with it goes a lot of confidence and a lot of business.

**Senator BRANDIS**—Councillor Lee, I do not mean for a moment to suggest that it is not a big problem but can I tell you that, even from my own experience, it is not a problem for just rural and regional Australia. That is the way the banks operate in the capital cities as well.

**Councillor Lee**—Yes, that is right. That is the way they operate in the capital cities. I fully realise that, but it is that personal contact that we have lost, and probably the rural population are more used to that than the urban population.

**Senator BRANDIS**—I suspect that is right.

**Councillor Lee**—And the urban population will accept change and move into the modern technology of banking and everything else a lot more quickly than the rural population is moving towards it.

**Senator BRANDIS**—I am a city dweller. It would be surprising if, when I go to my bank, the manager might happen to wander by and say, ‘G’day, George, come and have a cup of tea.’ It just does not happen. It has not happened for donkey’s years.

**Mrs Zerbst**—We realise that, and it is probably not the crux of it. If we had not opened when we did, I would suggest that there would be possibly—a wild guess—70 per cent of the population going to Woolworths in Kingaroy to do their shopping. Where would that leave our cooperative food store? Probably closing in a couple of years time through lack of business. When they go to Kingaroy to go to the bank and go to Woolworths, they also buy their fuel over there. Where would that leave our service stations? It is a downhill slide from there. That is the thing that I concentrate on rather than, ‘Do we have a manager behind the counter?’ Do we have a service here that people will use so that they do not go somewhere else and our own businesses decline?

**Senator MURRAY**—Taking you back to Mr Ciobo’s division, listening to you it seems that most of the services that non-business people want as a result of your initiatives are now catered for. There are physical facilities where people can go and deposit money and take out money. There are cheque facilities. The building society would provide housing loans. It seems a lot of non-business transactions would be available, and, like the capital city for the non-business people, superannuation and financial services facilities are invariably much more difficult to access. You do not have corner stores for those. Listening to you, it seems the bigger problem is business facilities, the level of expertise in terms of business advice and ready access. Am I wrong in interpreting what is happening here, or is that right?

**Mrs Zerbst**—I would agree with you, from my point of view, but the others may not see it that way.

**Mayor McCallum**—We do not have that expertise here in Nanango. We just do not have it.

**CHAIRMAN**—The banks tell us that to replace the local manager they have officers with expertise who are dedicated to particular groups of clients, who can offer basically the same sort of advice as the bank manager used to be able to offer, at the end of a telephone line. What is your experience with that?

**Mr Maudsley**—That advice is still available to us down in Blackbutt, but they are over in Kingaroy. In defence of the banks, they will come to you. But if I can just digress to what Councillor Lee said before about our situation in Blackbutt with respect to businesses not coming online with the credit union, the main reason for that was that the National Bank, although they left town, came back to business and offered us better deals. They offered us EFTPOS machines at reduced rates. They knew that the credit union was trying to get EFTPOS facilities. It was no secret that they were refusing to sign interchange agreements and trying to squeeze the credit unions out of that situation. That is why the businesses have not come on board.

**Senator BRANDIS**—That is a good point, Mr Maudsley, if I may say so. One way of viewing this would be to say that banks are withdrawing services. Another way of viewing it would be to say that the services banks provide are lending services or cash handling services, and perhaps financial advisory services too; they are still providing those services but they are doing it by a

different mode. The issue is not the deterioration of services but the change in the manner of delivery of services.

**Mr Maudsley**—Yes, that is correct.

**Senator MURRAY**—And the availability.

**Senator BRANDIS**—Senator Murray interjects, ‘And the availability.’ That is my point. Is it a question of availability or is it merely a service being provided in a different form, then raising another question, is the form in which that service is provided an inferior mode of provision? Councillor Lee will say, ‘Yes, because there’s a lack of personal contact,’ but it is a changing world and there is a diminution of personal contact in service provision right across the country—capital cities and rural centres—not just in banking but across the board.

**Mr Maudsley**—I think most of the businesses got used to the changes, but some did not. They just could not handle it and they went to the wall.

**Mr GRIFFIN**—What sorts of businesses went to the wall?

**Mr Maudsley**—This is from memory. I think they were mainly very small businesses, fruit and veggie shops, second-hand stores. A cafe I think was another one. But in a very small town it was still something like 20 per cent of the businesses just closed.

**Mr GRIFFIN**—Subsequent to the bank going?

**Mr Maudsley**—Yes.

**CHAIRMAN**—Because the bank is gone, people go to Kingaroy to do their banking, so they do some of their other services in Kingaroy as well instead of here?

**Mr Maudsley**—Correct.

**Mr Brittain**—There was a gap, wasn’t there, between the credit union starting and the National Bank going?

**Mr Maudsley**—The National Bank I think was in February 1998. It gave about 28 days notice, if that. We had meetings and did surveys et cetera and the Electricity Credit Union came to town about three months after the initial date, I think. It was about 12 weeks.

**Councillor Lee**—Yes, it opened in May.

**Mr Maudsley**—That sounds about right, yes. Three months from the initial date we were told.

**Mr GRIFFIN**—That relates to that issue about notification from the banks about when they are making changes and the fact that in your case, if you had had more time in terms of notification of what they were planning on doing, hopefully you would have been able to put in place a more seamless movement towards new services being introduced.

**Mr Maudsley**—They just did not give us enough time to do what we had to do. We went to CreditCare, who helped us enormously.

**Mr GRIFFIN**—What did the NAB say when they did it? Did they give you any reason for why they couldn't give you longer in terms of notification?

**Mr Maudsley**—They wrote to business and the community in a block. Everyone got a letter the same day saying, 'We are closing. Your account will be sent to Nanango or Kingaroy.'

**Mr GRIFFIN**—What I am getting at, though, is did you go back to them or did anyone go back to them and say, 'Hang on a second. Don't go,' but then, on from that, 'Can you take a bit longer'? Was that approach made, to try and suggest that they stay a bit longer?

**Mr Maudsley**—Yes, I approached them myself.

**Mr GRIFFIN**—Did you get a response?

**Mr Maudsley**—The response was, 'We have made our decision. I'm sorry, we're going.'

**Mr Brittain**—On that point, when the Commonwealth Bank were pulling out of Nanango, they gave at least three months notice, which worked in pretty well. People were shocked when they got told, because it was a rumour for a week before the announcement came out—'Oh, we've only got three months'—but by the end of the three months they had accepted the fact that they were going to go and they had made other arrangements.

**Senator BRANDIS**—Mr Brittain and Mr Maudsley, and indeed other witnesses who want to comment, the Australian Bankers Association have published a code of practice which provides a minimum notice period of 12 weeks for a branch closure. When I saw that, it struck me that that was, particularly for a small community, not long enough, especially in a one-bank town, for people to accustom themselves to the notion that the bank was going to close and to make other arrangements and to make the transition between traditional banking services and new arrangements. Do you think 12 weeks is long enough or should it be longer and, if so, what would be a more feasible length of time?

**Mr Maudsley**—In the Blackbutt situation I think 12 weeks would have been absolute minimum. Anything extra would be a plus.

**Mr Brittain**—In my opinion, if you are in a one-bank town I think they should give 12 months notice. Given the community bank's experience here, it takes between nine and 12 months to get a community bank up and running. If you are going to go and interest someone like Pioneer Building Society or Heritage Building Society or another financial institution, three months absolute minimum, but I would think in a one-bank town it should be 12 months.

**Senator BRANDIS**—What do you say, Mrs Zerbst? Do you have a view about that?

**Mrs Zerbst**—The longer the better. It would have been great to have more notice here, because people were entrenched in Kingaroy by the time we got up and running.



**Senator BRANDIS**—Sure, but we are going to have to make some specific recommendations and we will probably make some recommendations about a length of time, and it would be interesting to hear some views beyond saying, ‘The longer the better’—some slightly more specific ideas.

**Mrs Zerbst**—Ours was a different situation because we had one bank still here. I would say six months would have been great notice in that situation, even just for a personal banking consumer. I would say probably around 12 months if you wanted the community to be able to get behind something else, as Mr Brittain said.

**Mr CIOBO**—Mrs Zerbst, what is the mix in relative percentage terms of those accounts that provide a commercial return to your community bank versus those that are making a loss for your community bank?

**Mrs Zerbst**—I could not tell you that because the actual banking side of it is strictly confidential to Heritage Building Society, just as anything else is. As the secretary of the company that is in the joint venture, I have no inside information on those areas at all.

**Mr CIOBO**—Obviously, where you have, as I said, a large percentage of profitable accounts then I would assume the banks would stay. I cannot see any reason why they would go. And then obviously if you have a large percentage that are just transaction based, essentially withdrawals, then, as we have seen, the council can step into the breach, so I am interested to know what the mix was.

**Mrs Zerbst**—I could not tell you. You would have to find that out from Heritage. However, I would say that it is quite common knowledge that the large banks like the National Bank here really do not care if their customers leave, as long as their business customers do not leave. That would be enough indication for me to say that business customers obviously are the ones that bring in more money.

**Mr CIOBO**—They are the ones that generate profit, that is right.

**Mayor McCallum**—Through you, Mr Chairman, just as a point of interest, the South Burnett consists of five shires. They had a bank in Kilkivan and a bank in Goomeri. They were both in the shire of Kilkivan. Both banks closed down. They do have some sort of a transaction in Goomeri. I am not sure what the name of it is. Murgon: going by the local paper there have been rumblings about what they are thinking in case theirs go. Wondai: theirs went and they in turn got another bank, fully equipped like the Heritage is here. Kumbia was a little town in Kingaroy years ago. It had a bank for two or three days a week. It closed. Yarraman closed, then Blackbutt closed, and then two banks in Nanango closed and the other reduced in size. That is obviously trying to centralise everything in the one bigger centre, which is Kingaroy.

**CHAIRMAN**—Can I ask whether—and, if so, in what way—the closure of the banks in the local towns has affected availability of capital. Has it been more difficult for both businesses in the town and farming operators to borrow from banks because they are that much more distant, or is the ability to raise capital still much as it was?

**Mayor McCallum**—I have not been talking to anyone myself. Perhaps Geoff, John or Wendy might like to comment on this. But from my knowledge, I do not know of anybody that has gone to the extreme limits of not being able to raise a loan, or just how many have gone, in the limited time, to try and get a loan. I could not say.

**CHAIRMAN**—Is anyone else able to comment?

**Mr Maudsley**—I have had no problems obtaining finance, no. It is still available.

**Mr Brittain**—But there have been instances I know of in Blackbutt where, because of the different deposit requirements between the bank and the credit union, some people have not been able to get a loan through the credit union. I do not know too much about it in detail. I just know in general terms that this has happened. Whether these people should never have got a loan in the first place or not, I do not know, but I know that has gone on.

**Senator MURRAY**—That is the question which is, for me, right at the heart of this, and Senator Brandis and I were just having an off-microphone conversation about it. To some extent, the bank closure period is nearing its end. They have closed banks all over the country. The difficulty is, in the market sense, the new entrants being able to provide the full range of services. What you outline, and earlier Mr Maudsley, is this problem that the legal framework under which credit unions and building societies and other forms of financial service or institution operate means that there are certain services that they cannot provide for one reason or another at the same level, or even at all, which the banks formerly could. Therefore, for us as a committee, it seems to me that we have to look at whether we should recommend either wholesale law change for the whole country—the end of some of these distinctions—or exceptions for rural and regional Australia.

**Mr Brittain**—Senator Murray, the gentleman that we have running our credit union down in Blackbutt has only been with us 12 months. Prior to that, he was the bank manager of Commonwealth up in Murgon, and he basically got shifted. He was told, ‘We’ve got a position for you in Mount Isa or we don’t have a position for you at all,’ so he resigned and came to work with us. I suggest you go to Blackbutt this afternoon and ask him that question, because I think he would have fairly recent knowledge about what he cannot offer as a credit union operator and what he could with the bank.

**Senator BRANDIS**—That is basically, though, because credit unions are regulated by statutes that limit their operations in a way that banks are not limited by the Commonwealth Banking Act.

**CHAIRMAN**—That is an issue for us to consider. Several places have told us that in terms of raising finance, particularly for houses or business premises, it is more difficult in the sense that a higher percentage is required as a deposit than in the metropolitan area. Is that an experience that is reflected here? If so, what consequences have flown from that?

**Mr Maudsley**—I could not comment on that.

**Mr Allery**—I could not comment.

**Mayor McCallum**—I have no idea what happens in the metropolitan area.

**Mr Brittain**—I have heard anecdotal evidence from Blackbutt, from a previous manager, that it was the case that some people could not get a loan because they did not have the money. Before I came here, I was a CEO at Ilfracombe outside of Longreach for 14 years, and in your latest *About the House* magazine Ilfracombe is mentioned. There is an article in there on housing and the current CEO out there talks about it. You cannot get a loan to build a house in Ilfracombe for \$120,000 because, once it is built, all you will sell it for is \$70,000, so I know it does go on.

**CHAIRMAN**—What is the standard of the telecommunications network in the shire in terms of people wanting to use modern forms of banking—that is, telephone banking or Internet banking—such as the speed of transmission and lines dropping out and so on?

**Mr Maudsley**—It is quite slow.

**Mr Brittain**—Yes, it is.

**Mr Maudsley**—Particularly around this area.

**Mr Brittain**—It is slow. At my place it is slow, but in the office here it is quite fast.

**Mr Maudsley**—Telstra broadband, for instance, is not available around this area. Is it available in Nanango? It is not in Blackbutt, anyway.

**CHAIRMAN**—When you say that it is slow, what sort of bit rate?

**Mr Maudsley**—Thirty-five in the mainstream of Blackbutt, but it gets worse as you get out. It is okay in town. Thirty-five is acceptable, but you would not want any less.

**Mr Brittain**—I have had mine at home down to 10 or nine point something.

**CHAIRMAN**—In the absence of any further questions, can I thank each of you for your appearance before the committee today, for the submission that you put in in writing, and for the answers you have given to our questions. It has certainly been valuable in terms of what we are requiring to make our inquiry worth while and to come out with some useful conclusions and recommendations. Thank you very much.

**Mayor McCallum**—And thank you very much, Mr Chairman, and everybody else concerned with your group.

**Committee adjourned at 1.50 p.m.**