



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND
PUBLIC ADMINISTRATION

Reference: Regional banking services

CANBERRA

Thursday, 2 April 1998

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND
PUBLIC ADMINISTRATION

Members:

Mr Hawker (Chair)
Mr Wilton (Deputy Chair)

Mr Albanese	Mr Martin
Mr Anthony	Mr Mutch
Mr Causley	Dr Nelson
Mrs Gallus	Mr Pyne
Mr Hockey	Dr Southcott
Mr Latham	Mr Willis

Matter referred to the Committee:

Alternative means of providing banking and like services in regional and remote Australia to those currently delivered through the traditional branch network.

The inquiry will focus on how individuals and small businesses in regional Australia will access banking and like services in the future, given that the rationalisation of the traditional bank branch network is forecast to continue. The Committee's deliberations will also extend to Recommendation 96 of the Wallis Report (that governments expedite 'the examination of alternative means of providing low-cost transaction services for remote areas and for recipients of social security and other transfer payments'). The inquiry will not examine the provision of investment services, superannuation or insurance.

WITNESSES

BELL, Mr Christopher Mark, Policy Manager, Finance and Microeconomic Reform, Australian Local Government Association, 8 Geils Court, Deakin, Australian Capital Territory 2600 . . 199

CAMPBELL, Councillor John Holt, President, Australian Local Government Association, 8 Geils Court, Deakin, Australian Capital Territory 2600 199

PRITCHARD, Mr John Alexander, Policy Manager, Australian Local Government Association, 8 Geils Court, Deakin, Australian Capital Territory 2600 199

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Present

Mr Hawker (Chair)

Mr Causley

Mr Pyne

Mr Mutch

Mr Wilton

Committee met at 10.20 a.m.

Mr Hawker took the chair.

CHAIR—I declare open this hearing of the House of Representatives Standing Committee on Financial Institutions and Public Administration's inquiry into alternative means of providing banking and like services in regional and remote Australia to those currently delivered through the traditional bank branch network.

Today we have the Australian Local Government Association before us. A large proportion of the submissions we have received come from the local government sector. Many describe the serious impact that the closure of local banks have on regional and remote communities. A number of the submissions go beyond this and provide details of efforts by their communities to retain bank services or to establish alternative services in the wake of bank closures.

Today we want to find out more about the strategies that these communities have employed. I think it would be fair to say that, where the communities have been successful, it is because they have refused to give up. Often it has been the local government body that has been the driving force behind these efforts. We would like to know whether there is scope for a more coordinated national effort by the local government sector and, if so, what role the ALGA may play in this.

Some of the most constructive responses to the problems that result from bank closures involve the establishment of cooperative arrangements between different organisations, including financial institutions, governments and community groups. We would like to find out more about the role of the ALGA in fostering such developments.

BELL, Mr Christopher Mark, Policy Manager, Finance and Microeconomic Reform, Australian Local Government Association, 8 Geils Court, Deakin, Australian Capital Territory 2600

CAMPBELL, Councillor John Holt, President, Australian Local Government Association, 8 Geils Court, Deakin, Australian Capital Territory 2600

PRITCHARD, Mr John Alexander, Policy Manager, Australian Local Government Association, 8 Geils Court, Deakin, Australian Capital Territory 2600

CHAIR—I welcome Councillor John Campbell, Mr Chris Bell and Mr John Pritchard from the Australian Local Government Association. I remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a very serious matter and could amount to a contempt of the parliament.

Do you wish to make a brief opening statement before we ask questions?

Councillor Campbell—Yes, thank you. This is definitely an issue that is of major concern to our constituents, particularly our rural and regional constituents. The Australian Local Government Association is a federation of the state and territory associations. The individual councils are not directly members of the ALGA. We deal through the state associations. These issues have been of great concern, particularly to individual councils. A lot of them, through their state association, have been actively involved in addressing the issue. We, as a national association, have been feeding that information and comparing it nationally. As a result, we present the national position. We have not been involved in as direct a response to the problem as our individual councils around Australia.

The statement that people cannot function effectively in a modern economy without reasonable access to the financial system, which was part of the New South Wales Local Government and Shires Association submission, is the essence of the point. There needs to be some sort of financial institution in every community to provide that networking and to allow people to effectively function. Our members raised this issue at our general assembly in November last year, where we had the national coming together of representatives from around Australia. It was considered to be of such national importance that the ALGA should take a position and seek ways to solve the problem.

We realise that there are limits and that the government cannot replace banks, but you can regulate them. There is also the problem of competition; therefore, there is that continual dynamic of trying to reduce costs. However, there is also a need to allow competition to work effectively. We believe there is an opportunity for non-banks. There have been a number of instances where non-bank institutions have stepped in to fill the void. But there are problems under regulations—for example, the issuing of cheques and who can run cheque accounts, et cetera—which limit the ability of non-bank institutions to fill the void.

I am sure you are fully aware of the consequences of the one-bank town losing that one bank. Local governments in a lot of areas have been seeking to find innovative ways of replacing that essential instrument in their local community. We believe that there should be a way of expanding the number of institutions that can be involved. Where banks leave the field, there should be regulation changes that allow, and make it

more convenient, for non-bank institutions to move in and fill the void—in cooperative arrangements and in agency arrangements. Also, at the same time that is looked at, this problem of communications infrastructure should be looked at to allow greater use of electronic banking and processes in these areas. I think that is linked with the problems with the communication facilities in country areas.

We hasten to add that we do not have the solution to setting up. Some of our members have said the ALGA or some of the state associations could set up a bank. In my council I have investigated that possibility, and I know the problems associated with setting up a bank. It is certainly not easy. It requires a great process to be gone through, and you also have to have access to resources which quite frankly the ALGA does not have.

While some of the submissions may refer to that, we are realistic about the problems in doing such. However, we are very happy to coordinate cooperative arrangements between our member councils and other agencies where that is appropriate. We particularly are thinking that the regulatory environment should be looked at to find innovative ways, also using the competition principles, to encourage the greater use of electronic approaches.

CHAIR—I want you to expand on a couple of points that you made in your introductory remarks. You mentioned something about regulating the banks. What exactly do you have in mind?

Councillor Campbell—As I understand it, banks are the only organisations that can issue cheques. When other non-bank financial institutions try to move in and fill the void left by a bank leaving town, there is the fact that they cannot issue their own cheques. They have to use a bank for cheques, which is a problem.

CHAIR—The credit unions will shortly be able to because the government is moving to expand that so that the credit unions can issue a cheque in their own right. So there will be greater opportunity there. The second thing you talked about was expanding the number of institutions. Is that still the same thing, or was there something else you had in mind?

Councillor Campbell—There has been reference to agencies being used for banks—Australia Post is a good example—perhaps expanding and making it easier for banks and other non-bank financial institutions to use other agencies. It seems to me that that is one solution. Clearly, they cannot provide all the services, but, where the banks are not available, that would alleviate the problem.

CHAIR—Have you been in discussions with groups like the credit union society or the ABA saying, from the local government's perspective, 'We want to coordinate some of these opportunities'?

Councillor Campbell—I know that some of our members have, as have state associations.

Mr Pritchard—We have corresponded with each of the major banks and received correspondence from them. A couple of the banks indicated that they were willing and wanted to engage in some dialogue and in fact postponed meeting with us to discuss their strategies and options until this inquiry took evidence from the banks. So, yes, we have had some preliminary contact. The initial contact with the major banks has been positive in that they want to engage in some discussion but we have not progressed those discussions

subject to the finalisation of this inquiry.

Mr WILTON—Have you any evidence, Councillor Campbell, of where any local government bodies around the country have played an active role in ensuring the retention of a bank in a particular rural or regional centre? If so, what role, if any, might the Commonwealth play to enhance local government's role in retaining banks in such a centre?

Councillor Campbell—Certainly, councils have lobbied. Also, a number of councils have changed their own bank to and offered their account to the bank that would stay in town or whichever financial institution would come. So, yes, there have been many councils around Australia in rural areas that have been taking that representative role with their local community, lobbied banks and offered their own financial services, their own accounts—which can be significant in a particular town—to encourage them to take up the business.

That is the limit really that they at the moment feel they have the capacity to do. Also, there are a number of cases where they have offered to be agencies of the bank, in cooperation with other bodies like Australia Post possibly. I know there has been a lot of exploring of all these alternatives of trying to, wherever possible, encourage banks or other financial institutions, particularly credit unions. There have been a number of cases in Queensland, where I come from, where credit unions have moved into a town as a response to initiatives from council.

Mr WILTON—Where a bank is about to depart or has departed, do you see it as the role of local government to initiate educational programs to train people, if you like, on electronic banking, whether it be EFTPOS or autotellers?

Councillor Campbell—I do not see that as the local government's role. Certainly, in the void where no-one else is providing that, a lot of local councils take up the cudgels and would be prepared, I think, to be involved in such an education program. Being so responsive to their local community, I think that they would respond to those perceived needs. So I am sure that many councils would be prepared to take that up. I do not think that that is really local government's role. I think that that is a role that really the banks that benefit from the business should be involved in, to some degree; that educational role, particularly use of electronic services, where there is that resistance, as you realise, particularly from older people.

Mr Pritchard—Part of the reality is that the traditional banking network have been extraordinarily diverse and that very small towns throughout municipalities have been serviced very well. The contraction of those services means that, as regional centres are becoming larger, smaller communities are becoming smaller. So the education strategy that might be required to orientate people to using electronic banking services has to be extraordinarily diverse. School systems, education systems, may in fact be a more diverse and appropriate role for them to take on, as distinct from a local council.

CHAIR—Do you have some data of where councils have gone into exploring this providing of facilities and arrangements with other agencies and so on? You said quite a lot of them are doing it. Do you have some numbers or data on it?

Mr Bell—We do not have any to hand, but I guess we could explore it further for you.

Councillor Campbell—We have operated on anecdotal information raised at our forums and in submissions, as you are aware. So we have not gone through a process of sampling and collecting on a nationwide basis. We could do that if that was seen as being useful and if we felt that there would be some product from that, yes.

CHAIR—I think it would be helpful get a list or a map of Australia with dots where it has happened.

Mr Bell—And instances of the sort of assistance that local government has been giving to banking or whatever?

CHAIR—Yes, where it has actually worked.

Mr Pritchard—Chair, as background, the General Assembly for Local Government is conducted in November each year, and in the 1996 general assembly CreditCare did make a presentation to a rural issues assembly. That presentation resulted in the provision of some information from both CreditCare representatives and also representatives of local government. I think at that stage there were around 26 communities that had worked with CreditCare to explore the operation of credit agent facilities with local government. There was an extremely positive response from delegates at that conference. CreditCare would be a very good starting point to indicate the level of interest in taking up the opportunities of establishing credit union facilities in local communities.

I think, however, that, even as a result of some of the initial contacts made by our councils to CreditCare, there were some substantial structural impediments to moving forward on the establishment of the credit union facility in some of those very small and remote communities. I think that both we and CreditCare and could explore those sorts of options.

CHAIR—We have had a presentation on that. I think you will be pleased to know that the number is now up to 36 that have been successful. So yes, it is playing an important role.

Mr CAUSLEY—Do you have any idea of the number of your organisations who have gone to electronic banking?

Mr Bell—It is not the sort of thing we would collect as a matter of course, but we can find some out something for the committee if you want.

Mr CAUSLEY—There is no anecdotal evidence of people who might be moving down that track?

Mr Bell—Are you talking about the councils themselves?

Mr CAUSLEY—Councils, yes.

Mr Bell—I do not have any idea, but we can find these things within the parameters of the previous

question from the chair.

Councillor Campbell—There is a huge shift to electronic data transfer.

Mr CAUSLEY—I agree with the old ‘elderly people are going to take time to change’, but of course the banks argue that a lot of this is going to be done by telephone electronic banking, et cetera. I am just wondering if any of the organisations or council themselves are moving down that track at this stage.

Councillor Campbell—My own council, for example, which is the largest council and not remote, has gone to Bpay and also electronic banking. In fact, a problem that I have received from a number of my elderly constituents is that the time they are given to put in the numbers is such that they are not given long enough, so it cuts out. I had a number of my 80-year-old constituents trying to pay their rate bills—because we do it quarterly—putting in the figures and every time they give up because they are not quick enough.

Yes, there definitely needs to be account of this taken by the banks using these. They all assume that it is 25-year-olds who are computer literate and used to putting in data who are using phone numbers. So it is a real problem.

Mr Pritchard—In general terms, the Australian Local Government Association has developed an information technology strategy for local government. In a process of about 18 months we have been working to try to establish a network where all councils in Australia would be linked electronically. I think that we have not done an accurate data collection for some time but our targets were about 80 per cent by the end of this year. I think that the take-up is probably going to reach about 60 per cent to 70 per cent, but it is very difficult to estimate exactly.

The reality is also that telecommunications infrastructure is simply not up to it. There are a large number of rural and remote areas that are not going to be able at this stage to plug into effective telecommunication electronic banking service. The Regional Telecommunication Infrastructure Fund or Networking Australia will pick up some evidence of the real need or inadequacy of some of the telecommunications infrastructure fund which limits options for all communities across the country to pick it up.

CHAIR—Would you be able to provide us with some sort of indication of the number of communities you feel do not have access? Would you be able to sort of collate that for us?

Mr Pritchard—Some of the states have definitely done audits within this context. We could contact them.

Councillor Campbell—It may not cover every state and territory but we will collate the information that is readily to hand and give it to you.

CHAIR—We would appreciate that. It would help to get a better feel of it.

Councillor Campbell—Yes.

CHAIR—On that question of the elderly, is it the size of the key pads that is a problem? If you had a bigger key pad—I am thinking on the run here—

Councillor Campbell—One particular lady I remember talking to was complaining about the speed. It was the time given to put in the numbers. Maybe she could have been quicker if she had a bigger key pad. It is just like large print. It sounds like the same sorts of issues: if it is clearer, easier to identify, it may increase the speed.

Mr MUTCH—I think elderly old ladies get bad press. The young 42-year-old men have great difficulty doing anything by telephone transfer.

Councillor Campbell—They probably do not admit to it as much.

Mr MUTCH—I own up to it.

Mr PYNE—The fundamental reason the banking service is leaving small towns and rural communities is because of a drift of population and industry, et cetera, to large cities and large towns, which we have not really focused on very much today. The Local Government Association would have a large constituency of rural and regional councils. It is fine for us to talk about all the various services that could be put into try to replace banking services leaving small towns, but isn't the fundamental problem a problem that is going to be very difficult to deal with, which is population, industry and economy moving out of the country into the city? Has the Local Government Association thought of programs, proposals or ideas to try to reverse that drift? Are there examples in particular rural communities where they have and have been successful? The only way you are going to keep banking services is if there is a reason for a bank to be there.

Councillor Campbell—Sure. That is clearly a related issue and probably is the driving issue. However, we have not ignored that. We have just made a budget submission to the government about the fact that we believe there needs to be a regional program for funding and to support regional business but also to reverse that trend. Sure, we agree. Yes, there something needs to be done.

There are other mechanisms linked to that drift but we are certainly strongly of the view that there are avenues for withholding that trend and, in some cases, reversing it. That is the strong view of our regional and rural councils—you probably would not be surprised to hear. But there are examples that we can demonstrate of regional networks occurring that have led to creation of employment with all levels of government plus the private sector involvement addressing that problem. John has been involved in a bit of that. Do you want to comment on that?

Mr Pritchard—I cannot really add anything more other than to say that, under regional development strategies, councils have been very actively involved in working with other regional stakeholders in promoting regional business, regional development. Over the last 10 years there have been a variety of different governments initiatives which have encouraged planning in regional Australia. There are strategy plans sitting on shelves in just about every region of Australia.

We believe fundamentally and very strongly that there are really wonderful ideas in those strategies that need to be picked up and activated. They need support from all spheres of government. As the president has indicated, they become strategies which reverse the trends and turn around the economics, the numbers, so that it is more attractive for banks to remain located in rural and regional Australia.

Mr PYNE—How many regional strategies and programs are reliant on government putting money into ailing communities? How many of these programs involve people in the community, with power in themselves, recognising that, if anything is going to be done, they are largely going to have to do it themselves? That is the problem that all governments face. People have been talking about government programs for regional areas for decades. Often that works if the government has some money to spend, but if it does not, then you cannot just sit back and say, ‘We’ve got to wait for the government to build this bridge. Otherwise, our community is going to go.’ When the bridge is finished, what do you do next?

Mr Pritchard—I think you are quite right; we have not got it right yet. As I say, there is a wide range of initiatives and programs that are ready to go and we probably have not identified the guidelines, the process of actually picking winners. All international data would suggest that government programs which are designed to pick winners do not actually work, that you need a broad brushed approach which supports the empowerment of local communities and provides the infrastructure to support economic and social development.

That sort of broad approach to regional development is the only thing that is going to sustain rural communities. It needs partnership between business, the local community and governments. Fiscal stimulation provides a remarkable catalyst to get communities moving and should not be underestimated. I do not think ALGA or anyone else is arguing for sustained drip-feeding to communities that are essentially going to have to adjust in the global economy.

CHAIR—On that issue, in a related way one of the concerns that I have—and I think a lot of other people do—is that the superannuation levy is collecting very large sums of money out of regional Australia, hundreds of millions of dollars a year, and going back into superannuation funds. Very little of it is being reinvested back into regional areas, unless there happens to be a big mining project or something like that. Has the Local Government Association done any work on the impact of that? What strategies might be developed to encourage investment back into regional areas where that money is coming from? It is very much a one-way ticket at the moment.

Mr Pritchard—We ran a seminar in New South Wales recently—I think in July last year—with a number of partners trying to examine those issues. You are quite right; the superannuation bodies have very large amounts of capital and generally have a threshold of around \$200 million. We have been concerned that our people, or people who are interested in regional development, are talking comparatively small amounts of funds that are required to get initiatives rolling. Superannuation funds are looking for big ticket investments. We have commenced dialogue. However, the requirements of directors of superannuation funds are for them to get the best returns for their members and we have not been able to progress constructive discussions about options.

There are some private companies that have been established to start looking at ways in which they

might leverage superannuation funds into agribusiness in particular. Over the last 12 months we have noted that there has been a concerted attempt to start looking at those sorts of options. Under our portfolio of regional economic development, we are certainly trying to establish some strategic links with people who are interested in that agenda, but it is very early days for us.

CHAIR—I was just wondering whether you have done any research on the impact of this superannuation levy to find out what it is doing to regional areas and, obviously in a related way, to regional banking.

Councillor Campbell—We have not done proper research. The issue is that superannuation funds invest where they get the best return, and there is a risk associated with it. If there is a way of dealing with that risk assessment and getting better returns, there will be some success. We would not see that as our core business. I think that would be more appropriate at a national level. We do what we can to encourage regional development but the actual superannuation industry and how it works, et cetera, is something separate.

CHAIR—You say that they are looking for a return on capital and there is the fact that they are just looking for the big investment. There may be many opportunities there. If they can be bundled up, it would be just as good an investment as something else in a major centre.

Councillor Campbell—Local government is a major provider of infrastructure in rural areas and elsewhere too. Infrastructure supports development. One of the things that we have been talking about in recent times is the change to the infrastructure investment arrangements that the government put in place. I believe there was a cap put on the scheme and it was changed from a tax incentive of some sort to a rebate.

We have made note that the capping of that scheme and the changing of the parameters have actually excluded some local government infrastructure which was previously covered by the scheme. My understanding is that that scheme only covers road and rail infrastructure where previously it was available for things like sewerage, waterworks, regional airports built by councils and that sort of thing. I suppose those sorts of things may also have an impact on councils' abilities to spur on regional development in some areas.

Mr Pritchard—Mr Chairman, I think you identified a sensible and vital strategy for freeing up and reinvesting in rural Australia. I think the reality is that that process requires an enormous amount of effort, an enormous amount of coordination and investment of time and resources. I personally would be convinced that the returns would be there for superannuation funds. However, there is no organisational structure with the resources at the moment in Australia that is prepared to provide that facilitative role. Part of our argument for a regional development program is to facilitate that sort of coordination.

Mr WILTON—The banks have quite openly—perhaps in a way, surprisingly—confided to us that they only give three weeks, or at the most four weeks, notice to account holders before they actually close them. In one case a letter had gone out after the bank had closed the account. Obviously you would consider that to be an insufficient period of time. Have you had any discussions with banks about advance notice and there being more notice than simply four weeks? What sort of time period in your view is required to educate and nurture people into a way of thinking that the bank will no longer be there?

Councillor Campbell—We have not had discussions with the banks on that, but that is one of the issues we wanted to discuss. We will pursue that with the banks. We believe that at the very least a voluntary code—I do not know whether it should be legislated—should be applied where they give at least three or four weeks notice. Obviously removing a bank from somebody's lifestyle is a huge change to their way of life. The greater the notice, the better.

I know that the banks see that that gives people greater time to go to the media and complain about it, et cetera. I think there needs to be some sort of check to that attempt by the banks to say, 'We'll close it down and give the least notice possible so it does not drag on as an issue and once you close it down, it is all over and done with.' Yes, I think there needs to be some sort of check to that. Hopefully, we will get agreement from the banks to agree to some sort of code.

Mr WILTON—They have put to us that the reason they give that amount of time is specifically so that communities cannot mount local campaigns.

Councillor Campbell—That is just a bit pathetic. They are making such a huge change to the lifestyle of people and communities that that just goes with the territory. If they are making an investment or a business decision, they have to accept the consequences.

CHAIR—Is there anything else you would like to add?

Councillor Campbell—No. We are pleased to provide the information that is available. We will do that.

CHAIR—Thank you for that. I thank all of you for coming along today. It has been extremely valuable for the committee, and certainly will help us with the work we are doing with this inquiry.

Resolved (on motion by **Mr Wilton**, seconded by **Mr Pyne**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 10.56 a.m.