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WITNESSES

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HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
FINANCIAL INSTITUTIONS AND PUBLIC ADMINISTRATION

Regional banking services

HAMILTON

Wednesday, 29 April 1998

Present

Mr Hawker (Chair)

Mr Willis Mr Wilton

Committee met at 10.42 a.m.

Mr Hawker took the chair.

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CHAIR—I declare open this hearing of the House of Representatives Standing Committee on Financial Institution 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. Before I outline the terms of the inquiry, the committee will formally receive two submissions.

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

That submissions Nos 107 and 108 be accepted as evidence and authorised for publication.

CHAIR—Since deregulation of the banking industry, banks have responded to pressure of competition by introducing measures to reduce costs and maximise profits. One of these measures involves the downsizing or closure of many branches in rural and regional areas. Forecasts suggest that this process of rationalisation will continue and, indeed, the banks have told this committee that branches will continue to close.

The loss of traditional branches and banking services has a significant impact on individuals, businesses and communities concerned. Many of the communities who will appear before the committee today have either lost or fear that they may lose their banks. However, many of these communities have rallied and are actively involved in finding and establishing alternative ways of accessing financial services.

The committee is here to find out more about the impact of the closures on your communities and to assist in the process of finding and establishing alternative ways of accessing financial services. In seeking solutions to the problems created by the closure of bank branches, we are exploring both institutional and technological alternatives to banking and like services.

There are already a number of alternatives in place in some regional and remote areas, many of which are operating quite successfully. Both private and public effort is involved and, in some cases, cooperatively. These initiatives include a proposal from the Pharmacy Guild to use its pharmacy Intranet to provide a network of banking outlets, and there are some 5,000 pharmacies right throughout Australia.

Colonial State Bank initiatives include the establishment of single-site

operations that will be licensed to and co-located with a rural business. Where these are not viable, smaller agency dealer franchises will be established.

The initiatives also include the Bendigo Community Bank concept whereby a locally based entity representing all or part of a local community purchases from the Bendigo Bank the rights to run a franchise style banking branch on a commercial for-profit basis, and we look forward to hearing a great deal more about this one today.

There is also the establishment of electronic agencies by Bank SA. Bank SA has 173 electronic agencies throughout rural South Australia and the system incorporates a low-cost terminal with EFTPOS that allows for a broad range of banking services such as deposits and withdrawals, cheque processing, balance inquiries and statement requests.

We have also seen the successful establishment of credit unions in many communities where the banks have left. In the course of this inquiry, we will be visiting some of these communities and trying to identify factors that assist in their successful establishment or, alternatively, which impede their establishment or limit the degree to which they can provide services. This includes legislative and other regulative impediments. One of the big factors in this, of course, is CreditCare, which was developed from some recommendations from a previous inquiry by this committee in another parliament, and which were acted upon by Mr Willis when he was Treasurer, and I think it proved to be very successful.

A number of strategic alliances have been formed between credit unions and other financial institutions to offer specific services to rural customers. Some local and state governments are investigating ways of sharing facilities or establishing one-stop shops which may provide both government and banking services, and the committee is very interested in these developments.

We are looking at ways of expanding agency services where they do exist and establishing them in areas where they do not. For instance, we will be looking closely at services offered by public institutions such as Australia Post, namely GiroPost, and considering how these may be extended and improved. On that particular point, I have been heartened by recent discussions with the CEOs from the major banks regarding their willingness to consider options for jointly utilising franchise type of operations to offer a range for banking facilities.

Technological alternatives clearly have a major role in extending the access those in rural and regional Australia have to banking services. Electronic banking facilities such as ATMs and EFTPOS are already widely available, particularly in metropolitan areas. Telephone banking offers a range of services as does the Internet. Smart cards are being trialled in many places and slowly introduced in others. Although these new technologies are very promising and may indeed be the future for banking, the committee is very much aware of the need to distinguish between their potential and the reality of their availability.

Not all communities have ATMs or EFTPOS facilities and, even where they are available, the services they provide are limited or, in some cases, inadequate. We hear from some people, for instance, that telephone banking often involves waiting which involves a cost. While banks are increasingly offering services via the Internet, many rural areas simply do not have the infrastructure that will allow full access. Where access is available, it is often slow and hence costly.

We are keen to find out today the extent to which new technologies are satisfying the banking requirements of your communities and where the gaps remain in the service. Given the impact of the closure of banks, often with little notice, it is not surprising that the announcement of an impending closure is usually met with anger, particularly by those communities who, often for very good reason, feel as if they have been badly done by, by the banks.

If the closure of bank branches is to continue, there must be better ways of going about the process. We will be looking for ways of minimising distress to communities involved and of maximising their participation in the development of constructive strategies to ensure their continued access to financial services.

During this inquiry, we will travel to all states and territories. This is our second visit to a regional area. We have been greatly assisted in organising this visit by a number of people including Neville Anderson, Jeremy Maloney and Hugh Delahunty from the Office of Rural Affairs, Stewart Petering from Minyip Consultative Committee and many individuals in the Shire of Southern Grampians and the Shire of Yarriambiack.

Our aim in this inquiry is to find answers. There will, of course, be no single solution to the problems being experienced as the result of bank closures. We will be looking for the mixture of strategies to address this situation. The solution will certainly involve both institutional and technological alternatives and we recognise that any solutions will need to

balance the needs of financial institutions and their customers. They will also require the recognition of mutual responsibilities and the cooperation of governments, industry and communities. Quite simply, our regional and remote communities deserve nothing less.

Before calling the witnesses I would like to formally introduce my two colleagues on the committee. Mr Greg Wilton who is Deputy Chair of the committee holds the federal seat of Isaacs in Melbourne. On my left is the Hon. Ralph Willis, who I think is fairly well-known to most people. He is a former Treasurer and a major contributor to this committee. On my immediate left is Jan Connaughton, the secretary to this inquiry.

[10.50 a.m.]

JACOBSON, Mr Rodney Jacob, President, Macarthur Advancement and Development Association, 21 Huntly Street, Macarthur, Victoria 3286

LUKE, Mr William, Committee Member, Macarthur Advancement and Development Association, 'Bethany', 67 High Street, Macarthur, Victoria 3286

KELLY, Mr Brendan John, President, Advance Peshurst Inc., Bell Street, Peshurst, Victoria 3289

NOONAN, Mr Desmond Paul, President, Koroit and District Development Association, c/o 129 Commercial Road, Koroit, Victoria 3282

SHANAHAN, Mr Robert, Secretary-Treasurer, Koroit and District Development Association, c/o 129 Commercial Road, Koroit, Victoria 3282

CHAIR—I welcome representatives from the communities of Koroit, Macarthur and Peshurst to today's public hearing. I must remind you that the evidence you give at the public hearing today is considered to be part of the proceedings of the parliament and, 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. The committee has not received any formal submissions from you. Is there any material that you would like to table before the committee?

Mr Luke—We have a document here that we would be quite happy to table; it is a summary of our address to the committee.

CHAIR—Thank you. Would you like to make a brief opening statement before we proceed to questions from members of the committee?

Mr Luke—Yes. Our submission is based on three factors. We looked at the customer relations exercise and the impact. We also looked at three specific areas: the actual notification from the bank to the town, the communication and the closure. We also endeavoured to address the reaction and the stresses caused to citizens and, also, in part to address what we considered to be a devaluation of the district as a result of the closure of the final bank in

Macarthur. That would be a reasonable summary of our presentation.

With relation to the notification of closure, it was based soundly on rumour—there was no notification. Historically, without any significant notification at all, the services at Macarthur were reduced from five to three days. The resident manager was moved to Hamilton, attending Macarthur one day a week for a short time until this facility was withdrawn, once again without any appropriate notification. Personal notification to customers by the bank of the proposed closure was nil in effect prior to the closure. I understand there were some exceptions for selected clients who were contacted prior to the actual closure.

The written advice that was subsequently received from the National Bank was one dated 20 February 1998 introducing our new branch manager; it was one of the Hamilton managers. Up to that time we had not been advised of any formal closure. On 3 March 1998, which was a week or so after the actual closure, we were advised that our branch was on the move. We received, after the closure, the letter and some documentation inviting us to explore the possibilities of electronic banking—EFTPOS and ATM banking procedures.

As part of our investigation, where the bank is saying that the processes are not viable in these smaller towns, we would make note of the fact that some of the communications that were received relative to this process included letters to deceased persons and letters to persons who had closed accounts. Also, as part of the cost exercise, there are examples of the bank sending two identical statements for the one account to the one person.

Notification of the closure was very limited and very poorly done. The impact of this poor communication is reflected in the issues that I mentioned here. Certainly, there was uncertainty of personal and business financial planning; there was no opportunity really to do that. There was a lack of opportunity to research and consolidate alternative banking services. Apart from the rumour, we had nothing concrete on which to plan our future. As a result, there was and still is—I think you alluded to it—the resentment, the anger, the fear and the confusion. That still remains.

With considerable damage to public relations at least, the pretence of customer service was dispensed with, apparently, in the pursuit of profit or whatever. But there was no doubt that this was really a *fait accompli*. All accounts that were at the Macarthur branch were—without notification again—transferred some 18 months previously to Hamilton. The damage to public

relations was really significant in terms of the impact of closure certainly. Specifically, there was difficulty in arranging appropriate alternative banking, particularly for the elderly, for businesses or for persons who are unable to travel or are unable to drive themselves—persons without licences, pensioners, invalids, or those, indeed, without private transport. I make the point here that there is no public transport into or out of Macarthur. We rely on private transport only.

To the economic disadvantage we see, there is the added cost of banking. We now have to travel further. We have to travel a minimum of 36 kilometres to our nearest major banking facility. There is the cost of alternative services, for example, from Armaguard with whom some arrangements have been made by some of the organisations in town. But there are added costs to this. Increased delays and reduced services at banks in nearby towns have also been also evidenced, I am advised.

One of the other economic disadvantages was seen in some audits that have been conducted. There was at least one example where there was evidence of pay-ins to the National Bank not being credited to accounts on the day of the pay-in. There may be delays of up to three days in the credit of these monies to the specific accounts. This has been brought to their attention but certainly it has recurred.

I think without any doubt there is an increased security risk. It was probably mentioned previously. Whether or not it is a fact, businesses and private persons will be identified as possibly holding more cash for longer periods and therefore there is the risk of them becoming a target for some assault. It is an aging community, a much older community, and those older people feel particularly vulnerable and exposed in this area.

The potential for increased insurance costs arises even if we look at just the security aspect. The insurance companies, I am sure, would be quick to observe that there may be more monies held in particular areas and businesses and there may be a price to pay for that.

There is the potential for increased health care costs, which is certainly a concern of older people who express their discontent and their concern as to what they are going to do. There is the further devaluation of small towns when people feel obliged to relocate to larger centres just to access facilities. There is real estate devaluation and reduced savings, having to shop out of town. Persons obliged to do their banking out of town will, of course, shop out

of town. There is a continuing downward spiral and devaluation.

There is what we perceive to be also the unsatisfactory education by the bank in the use and impact of electronic banking. I received lots of brochures, but I do not really consider that to be an education in the process of using these facilities. Old people do not understand them. Indeed, I have to be frank, I open them and have a look at them, and I would really have to sit down with a scotch beside a warm fire to really get the best benefit out of them, I think. The aging population is increasing and they have considerable difficulties with the practicalities and the principles of electronic banking. This is exacerbated by the inadequacies of the educative processes in electronic banking.

So, as a public relations exercise, it is an absolute disaster. I doubt very much whether even some of the more dedicated customers of the bank will consider remaining with them after this disillusionment—the devaluation of the town and the services. Of course, we are looking very closely at alternative processes, and I am sure we will find one.

CHAIR—Thank you.

Mr Noonan—Bill has covered a lot of areas that affect any town, as well as any small town. We are a slightly bigger population than Macarthur, and we do have an existing banking service at the moment. We are trying to get a bit ahead and not wait until the bank actually closes. It is a NAB bank, and it is now operating three days a week—Monday, Thursday and Friday. We can get no commitment that that service will remain, so we have to presume that they will do to Koroit what they have done to Macarthur and Penshurst. They will not confirm one way or the other on that issue.

It is a service, no doubt, which is actually better than nothing. It is three days a week but, on the days it is closed—on Tuesdays and Wednesdays—because we are a rural area, being in business myself and speaking for other businesses in the town, those are very significant days for the town. Wednesday is sale day in Warrnambool, so naturally a lot of farmers and their wives go through who would normally stop in the town, get their money and do their shopping, et cetera. They now do not do that because they go straight to Warrnambool because in Warrnambool it is Tuesdays the carriers actually transport the livestock to Warrnambool. They normally get paid on their way around when picking up livestock and would bank in Koroit on their way to Warrnambool because it is not practical to try to get a livestock truck up the main street of Warrnambool to do their banking. It was an advantage to them,

and now they are also unable to do that.

Regarding notification of closure, if it does happen, we need to be notified well in advance of a week before it is closed to give us some opportunity to organise some other financial institution for the community of Koroit. We need to keep a financial institution there at the moment. One of the main reasons is because we, as a development association, believe that Koroit is progressing as a town. There is continual building and, at the moment, the sewerage is going through. At this stage, Koroit is not looking too bad in the rural scene. I think everyone here would be aware of what happens to a rural town after the last financial institution leaves. I think we have all seen facts, figures and percentages on that. That will not help our situation at all.

We have looked into other forms of banking at this stage with community banking, but I think it is a huge financial burden to expect a community to bear. The amount of money that is needed to set up such a bank I believe is out of reach, and it is a huge ask for any banking organisation to put onto a voluntary organisation to bear and to organise. There is the fear that that possibility does not go ahead when you have spent a lot of the residents' money. You could just about get run out of town. I think it is a bit hard to expect a local organisation to take on that responsibility.

In my business I have an EFTPOS machine and I suppose, in a roundabout way, I am a cause of a lot of people not using the banking system. But, at the same time, I believe my business would not function as well if I did not have an EFTPOS machine because the majority of people—the younger generation, we are talking about—do have cards. There are lots of people who carry cards and do not even carry money.

We pay rent on these machines; we are charged for every transaction. I think in the short term we are actually doing the banks' job for them and they are charging us for it. So I think, if this is to remain in place, it needs to be looked at too because we are actually providing a financial service to the town. They can actually withdraw money on an EFTPOS card as well as purchase, so we are actually doing a teller's job to a certain degree, and we have got to pay for it. I think that needs looking at, too.

Bill spoke about the aged and disabled. The other problem is that, especially without a financial institution, if someone has to have a card, especially if they are sight-impaired people who cannot use a card or they cannot push the number on a machine, they have got to rely on trust. They

have got to give that number to someone so they can have access to their money. So how far does that trust go? How many people can you trust? I think that is a fairly open invitation to dishonesty. I will pass over to Bob now who wants to bring up a few points.

Mr Shanahan—Thanks, members of the inquiry. I also am in business in Koroit. One concern to me personally is with the Commonwealth Bank which closed in Koroit three years ago, now, when the agency was transferred to the post office. I bank with the National Bank which is still operating in Koroit, so I do not have a need to use the Commonwealth Bank agency at the post office, but I am aware that, under the existing arrangements with the Commonwealth Bank agency in Koroit, business banking is not available. In other words, a person in business who has an account with the Commonwealth cannot physically pay the cheques that he receives for his goods and services into that bank. There is probably scope there for this inquiry to consider the sorts of changes needed whereby agencies are allowed, by way of whatever, to be able to accept business cheques anyway, rather than just cash over the counter.

Another issue that I personally would like to put to the inquiry—and obviously it will require changes to bank policy, so it is not a matter of just saying to the National Bank it should change—is that a situation arises when a person pays me for my goods or services by way of cheque and, in good faith, I take that cheque off the person and pay it into my account. If that cheque happens to be dishonoured by the bank because there are not sufficient funds—and I am not to know that at the time—my bank charges me a fee of \$9 for something that I have no control over. I argue with the bank that it is not fair to charge me that \$9 because it was not my decision in the first place.

The bank's response, as a matter of policy, obviously, is that, 'Well, you should be aware that customer A or Joe Blow—whoever he or she is—has sufficient funds', and I say, 'Well, okay, I will ask you each time I get a cheque from every customer, but you are not prepared to give me that information because of privacy, in confidentiality and everything else.'

So the issue of that \$9 fee gets on my goat because it is not my decision. I know there is a cost involved for the banks, but there should be some sort of change whereby that \$9 should not be levied on the innocent party. I will ask you to take that on board as well. Maybe there should be some sort of pool to cover the banks' fees. Nine times out of 10 I have been able to get that \$9 fee back from the customer, but there will come a point in time when that will not happen. Is it possible to ask questions of members of the committee?

CHAIR—Yes, please do.

Mr Shanahan—Basically, Des and I were talking about this as we came up. From all the evidence that you will be taking, what is likely to be the outcome? Will there be any teeth to the inquiry as far as possible changes—in other words, to be able to direct the banks to take certain steps that will allow for benefits to the country towns? If the National Bank—and, again, I just use the National Bank as an example—as a business, has to make decisions to cut costs and everything else in the best interests of its shareholders, and provided suggested changes are not backed up in acts of parliament, then the bank can say, ‘I’m sorry fellas, we’ve thought about your suggestions, thanks but no thanks.’

I make that comment because we had a situation, as Des said, with our bank in Koroit when it announced last November that it was closing two days a week. We made a submission to the bank and said, ‘Okay, if you’ve got to cut out an equivalent of 16 hours per week from the operating budget for the Koroit branch, rather than closing for two days a week what about spreading that 16 hours of cost cutting over the five days?’—in other words, have a presence in the bank five days a week rather than just three days a week.

The letter was addressed to Don Argus, the managing director. We had a response from the public relations department which did not even make any comment about our suggestion. It just talked about the upgrading to electronic banking and that the decision was made in the best interest of the bank’s business, et cetera. Obviously Mr Argus never even got to see our letter or decided not to bother to respond to it anyway.

So, as I said, the question is what sort of teeth will the inquiry have to be able to get the big banks to make some changes which are going to be acceptable to country Victoria—and to country Australia, for that matter?

CHAIR—Bob, I will briefly respond to that, but you may want to pursue this a bit further. There are two points I would like to make. One is the very existence of this inquiry has already modified the attitude of some of the banks. We were talking about that informally earlier this morning. They are now starting to recognise that they cannot just keep walking away from small communities without giving any response to those concerns. So we are already having some impact there, and I know that at least two banks have now designated a senior manager at head office level to start to look at how they are going to handle this in the future.

The second point I would make about the question of whether the inquiry has teeth is, yes, I believe it does, because it is an all party committee and it is a standing committee of the House of Representatives. The report that we table in the parliament goes to the government, and we expect the government to respond fairly quickly to that report. As in previous parliaments, this committee has made a number of reports over the years on banking issues and in other areas, and I think in every case the government of the day has always responded fairly positively to the recommendations of the committee.

Mr Shanahan—Thanks.

Mr Noonan—There is a possibility for the existing bank before it actually closes—although they may not see it as a possibility. Australia Post, rather than owning all its own post offices, has actually franchised them out, virtually, to ex-postmasters or whatever, and they have bought the business type of thing. Rather than waiting until the town does not have a banking facility and then trying to create a new one, maybe it would be a possibility in that situation—there are obviously a lot of ex-bank managers around—to work out and offer some sort of scheme where the bank could franchise its existing one.

CHAIR—This is the very point, that the banks are starting to recognise—as I mentioned in my introductory remarks—that some of the other financial institutions are already doing just that.

Mr Noonan—If we could avoid a closure and then happen to set up another one, that might be a way around it. Obviously there would be a lot of legalities involved but it may be a possibility. They did it with Australia Post. Maybe they could do it with this.

Mr Kelly—Just on Penshurst's situation—our situation was identical pretty much to what Bill Luke went through with Macarthur. The same factors influenced what has happened in Penshurst, with the bank closure and the notification. I would probably like to focus on some suggestions and some actions that we think may help address the issues where banks close in small communities.

Firstly, the notification issue has been covered. I am not sure how to go about it but, if a bank is forced to notify the community that it will close in three months, it gives the community an opportunity to get moving and start taking some positive action, because once the bank actually does close and the accounts are transferred and people decide to leave that bank and go to another

bank, it is very hard to get them to come back to an institution that you may establish within the town. The second option that we did consider is the suggestion of an agreement between the Commonwealth Bank and post offices so they can handle business banking and take that on board.

Other things we did put forward were for a multi-franchising situation. I do believe that this does exist in Europe, where an agency or a service can be provided where people can do their banking for a range of major banks at one location. Another thing exists apparently in New South Wales where if you are to establish a new bank or a new credit union within a town, and the last bank has closed within that town, the stamp duties to transfer loans from other institutions are not charged to that particular person. Basically, if the account has been transferred to National Bank we get a bank or a credit union to establish in Penshurst. It is a new one that replaces our last one there and there is no fee charged to the client to get them to change over, because that, obviously, is a disincentive for people to support a local branch that you establish.

The education and training of residents in electronic transfer and real technology options will be good. That will come into place and will take over a lot of ways in which people do banking. There is a time lag and there is a generation gap of people who just will not be able to pick that up. The issue is that in that time lag the local communities will suffer due to the fact that people will not be able to adapt to the technology and they will go outside towns to do their business—and that business will be lost to the town.

The other thing that I did think of was that when a community attempts to establish a local credit facility within their town or bank there is some type of kick-start fund where there can be a dollar for dollar grant put forward. You could say, 'We have developed a business plan to get this credit union established and in the first year we perceive it is going to lose this and that much money.' If you want to encourage a credit union to come, and it is going to lose \$10,000, you could encourage the community or the local government to offset some of that funding for the first year. You could offset it with federal funding as well. There is funding there. It reduces the risk factor. You can have a chance to get something up and running in the first 12 months. It will take 12 months to get people to switch over their banking facilities. My view is that in a lot of cases it was not that banks were not making enough money in the towns where they closed, it was just that they were not making enough money for those particular banks.

There is a lot of community support there to support a local facility, but it would take time and work on both communities' part. If it can be done in

cooperation between the various levels of government—federal, state and local—and the communities, they have a chance of overcoming that issue.

CHAIR—Thank you very much for that. I did mention the credit care system that has been set up with Commonwealth funding. It has proved to be quite successful in New South Wales and to some extent in Queensland where it has been trialled. It is an ongoing process. One would hope that we might see it move into Victoria more, which does not quite address that last point you were making but it does provide some support from both Commonwealth and state government.

On the question of stamp duty, it is our understanding that where you transfer from one bank to another, or to another financial institution, with your loans you will not be paying stamp duty. I am not exactly sure that that is a state government issue, but I understand they have modified that now.

Mr Kelly—I understand it is certainly modified in Queensland and New South Wales and I think that was done with the encouragement of CreditCare. We have worked with CreditCare in Penshurst to do up a business plan. They pointed out to me that it is not currently the case in Victoria.

CHAIR—That is something the committee might take up.

Mr Shanahan—Just a comment on CreditCare again, if I may. When we went to the public meeting arranged by Penshurst, after their bank closed, we found that CreditCare comes into play, but only after the last banking town has closed. We understand from Koroit's point of view, because we still have a bank that operates, that Koroit has no official way to ask CreditCare to come and support it by way of investigations and everything else. Maybe there could be—again, just a suggestion—a change in the way that CreditCare is established in so that where a bank has reduced its service in towns, such as in our case, maybe CreditCare could be brought into play prior to the ultimate happening down the track.

CHAIR—We will take that point on board. I have two points to you, Bill. You mentioned the costs of Armaguard coming to you: I was wondering whether you could detail what that is or give us some indication, anyway.

Mr Luke—Not accurately, just off the top of the head. For example, the outreach centre provides a number of services. There may be from time to time

reasonable amounts of cash. It is not going to be thousands of dollars. I believe it is a \$10 collection fee, plus a fee based on the total amount of money that has been collected. It is a variable. There is a minimum collection fee. I think it is \$10 at the moment. If other businesses wish to tap into that they also have to pay the same fee. If, for example, Armaguard were to service the town of Macarthur and the businesses there it would be \$10 from each business, plus the percentage basis on the amount of cash that they were collecting from each business. I am sorry I cannot be any more specific than that.

Mr WILTON—I am interested in getting some idea as to the uptake level on giroPost. Obviously it is of concern to Bob Shanahan, Des Noonan and other business persons that you cannot do business banking there. Australia Post have said to us that a minimum of 12,000 transactions per year is required before it will be installed in a particular post office. Is the general community aware of its existence? Is there an understanding of what it is? Is there a fear of it? You might like to extrapolate your answer to also include other forms of electronic banking, whether ATMs or EFTPOS. Just give us a general overview of whether or not there is fear in the community about alternative banking services, be they electronic or specifically in relation to giroPost, through the Australia Post network.

Mr Luke—I do not think there is much knowledge of giroPost at all. That is a personal view. I do not think that generally we are aware of the extent of the services that may be available. What we are aware of is the fact that it would not appear that we could conduct normal business transactions using that facility. That would be the general understanding to date.

With regard to alternative banking services, it is the fear of the unknown that concerns us. We get a lot of literature, a lot of publications come across our desk. I have no doubt that the younger generation does not have difficulty with it, they are growing up with it, but I believe that the banks and other public institutions surely have some sort of moral and civic responsibility, accountability, for a fairly significant part of our population.

How to address it? There certainly needs to be some process that we can take to our elderly citizens—and I would probably include myself in that—to convince them that there may be some merit in this alternative banking, that it is secure and all those sorts of things. There are arguments which are valid but I do not believe we have been presented with those arguments. There has been a lot of literature but there really should be some other sort of educative process. At our outreach centre we have representatives who come down and say, 'Look, this is what electronic banking is. This is how it compares with the

facilities you now have, security-wise or whatever, and it is as near as the phone.' However, I really do not believe that there has been adequate progress there to date.

Mr Shanahan—I can back that up from Koroit's point of view, given the number of elderly persons who come into my business regularly. It is the old pensioner on a fixed income who basically, every pension period, whatever that is, has to physically get the money out of their account and have it in their handbag. They do not have cards because no-one, as Bill said, has ever sat down and discussed with them what it is all about. That will still be the case for that generation of persons until such time as you get the younger ones coming through. Yes, Koroit would be fairly similar to Macarthur—I cannot speak for Brendan—a lot of people have no idea about cards.

CHAIR—You raise a very important point that the committee is very much aware of.

Mr WILLIS—In response to what Mr Luke was saying a moment ago, in New Zealand when the PostBank was taken over by the ANZ, they had great success with moving people onto electronic banking because they did a one to one type of education process. They physically met the customers one by one and tried to get them to understand what was involved in electronic banking. That seems not to have happened very much in this country at all. Even though ANZ is a home grown institution, it is not pursuing that course here. I think that accounts for a lot of the problems, particularly for the elderly and the non-English speaking people, when they are taking on electronic banking.

Could I ask all of you to add a little more colour and movement to what happens to a town when the banks leave. You have talked in general terms about the impact on businesses but what actually has happened in your town? In the case of Koroit, the bank is part-time, and in Macarthur the bank has gone altogether. Have any businesses actually gone under as a result of this? What has happened to employment? In other words, what has happened to the economic prosperity of the town as a result of these reduced or abolished banking facilities?

Mr Jacobson—I am not a businessman, I am a retired worker. I have a different outlook on a lot of these things. I can understand the businesses but no-one has gone under at the moment for the simple reason they are holding on hoping that Bank SA will come in. I cannot understand how Bank SA can have these electronic machines set up in so many agencies and be a going

concern when firms like the National Bank and the ANZ have not bothered to explore the technology. Why? Are they too complacent, or were we too complacent when we got our accounts transferred to Hamilton? We thought the bank may close but we were just hoping it wouldn't. As the others have stated, you definitely want a period of time nominated before a bank closes, irrespective of whether it loses 50 per cent of its customers. It gives everybody a chance.

There is just an announcement made suddenly. For example, our MAD committee wrote and asked the National Bank what was it going to do with Macarthur. We got a letter on the Monday stating—that was the first official notification to anybody—that it would close on the Friday. We made inquiries. The manager was not interested. I suppose he was told by the bank that it was just bad luck. He was not going to live in the town. That was a loss to the school and everything else around there, whether he was a sporting person or not.

We rang Melbourne and the girl there, who must have only been there a week, said, 'Go to your hole in the wall.' We said, 'How?' She said, 'Just go up to it.' We said, 'We have got no transport. It is 100 kilometres to Warrnambool.' She had no idea.

If Bank SA can do something like that, I cannot see why others cannot do it. At the public meeting with Bank SA in Macarthur, there were over 120 people there and 99 per cent would have changed over to Bank SA straightaway. We got a letter the other day stating that they have had that many inquiries from towns like ours that they want to set up a pilot scheme and see if they can integrate the towns with St George. If they can do it, why have not these other banks tried it?

Mr WILLIS—Bank SA is part of St George.

Mr Jacobson—Yes, we realise that.

Mr WILLIS—Could you explain more clearly what the commitment of Bank SA is at this stage to your town?

Mr Jacobson—It would give everybody a great lift for a start.

Mr WILLIS—But what is the commitment at this stage?

Mr Jacobson—We were to be the pilot town, but they have had that many inquiries they want to try to get all the information in and see what they can come up with.

Mr WILLIS—What sort of a pilot were they going to introduce?

Mr Jacobson—I am not a hole in the wall user, or an electronic banker, but there was to be a small ATM. I did not get to the demonstration at the shire office. It accepted everything, including cheques, straightaway. It was to be run on a commission basis for the premises that the bank was going to be established in.

Mr WILLIS—So it would be a fully electronic service?

Mr Jacobson—Yes, fully electronic, and that service was available during the hours when those premises were open. If it opened at 7.00 a.m. and closed at 7.00 p.m. for seven days of the week, that facility was available during those hours, which was a great boost. People felt happy after the meeting, but Grant Turner stated then that they would have to get all the submissions in and just look at it. We got a letter saying that the response they had after the Macarthur demonstration was overwhelming and they had to sit down and try to work out what they could do.

CHAIR—We would love to pursue that a bit more but, unfortunately, time is going to escape from us.

Mr WILLIS—Can I ask a couple of quick follow-up questions? First of all, one of the solutions that has been put around to towns without any banking service is the possibility of mobile banking—and the chairman referred to that earlier. What would be your reaction to a mobile banking service which would presumably mean banking on some days and not others but at least some banking facility being available?

Mr Jacobson—It would possibly be all right, but for farmers and people out of town at shearing and harvesting time, a mobile bank would be very awkward. It may be in the town for an hour only, it might have a tight schedule. I do not think a lot of people realise the distance between towns. If you get a customer with a complicated matter and it takes a lot longer, are the other people going to get put off if there is a great queue forming? For example, at the National Bank in Hamilton the other day there were 37 people

in a queue. One lady was 24th in the queue, and there were only two non-Macarthur people there.

Mr WILLIS—In relation to GiroPost, the point has been made that it does not take business banking and that that is a real downside to its operation, as far as the towns are concerned, when the banks leave. What if GiroPost did in fact include business banking—how satisfactory an alternative do you think that would be?

Mr Kelly—From the Penshurst point of view it would just mean that you could bank your daily takings locally, rather than having to do it in the evening, having to find someone who is driving to a town to do it. Particularly at times such as now, at the end of the month, if you run accounts, you get a lot of your accounts in that are paid by cheque, and you have to write your cheques out and they have to be paid by the end of the month. If those cheques come in on the 30th, you have to find someone to drive into Hamilton and to make it there by four o'clock. Whereas if you could run up the street and post it, it could be the difference in whether you maintain your credit facilities with the people you deal with. So I think that would be a big plus.

CHAIR—Unfortunately, as always, the clock seems to beat us. Thank you all very much for coming along. I think that has been extremely valuable to the committee and we will certainly be taking on board the many comments you had to make today. Thanks for coming all this way and thanks for your input.

[11.39 a.m.]

MILLER, Councillor David, Mayor, Moyne Shire Council, Princes Street, Port Fairy, Victoria 3286

SHIELL, Mr Graham, Chief Executive Officer, Moyne Shire Council, Princes Street, Port Fairy, Victoria 3286

MOSTYN, Mr Graham Neil, Chief Executive Officer, Southern Grampians Shire Council, PO Box 685, Hamilton, Victoria 3300

TEMPLETON, Mr Howard MacInnes, Mayor, Southern Grampians Shire Council, PO Box 685, Hamilton, Victoria 3300

CHAIR—I welcome representatives from the municipalities of Moyne and Southern Grampians to today's public hearing. I remind you that the evidence you give at this hearing is considered to be part of the proceedings of parliament. Accordingly, I advise you that any attempt to mislead the committee is a serious matter and could amount to a contempt of the parliament. The committee has not received any formal submission from you. Is there any material you would like to table?

Mr Shiell—Yes.

CHAIR—Thank you. Do you wish to make an opening statement before we proceed to questions?

Councillor Miller—Thank you very much, Mr Chairman, and members of the committee, for this opportunity to make this joint presentation on behalf of Southern Grampians Shire and Moyne Shire. Our presentation is an overview of both the Southern Grampian Shire and Moyne Shire. The situations that exist within those two shires, we believe, are very much reflective of the rest of rural Victoria and, indeed, rural Australia.

In the hand-outs, we have a number of dot points and subheadings and, as an overview, our first heading is the survival of rural communities. A few areas that may be of interest to the committee include the fact that over 40 per cent of Australia's small rural towns are in decline. They are losing people, especially young people, businesses and services. There has been a lack of

willingness by successive states and federal governments to address this decline. A vision and a strategic plan for rural Australia is needed. Governments have the ability to influence population movements and the development of associated infrastructure and services.

In south-west Victoria, all districts and towns, except for Warrnambool and Port Fairy, are experiencing a population decline. Many towns and district communities are working hard to survive and to make themselves more attractive to visitors and to existing and new residents. The street life program in Southern Grampian Shire is an excellent example of five communities working to identify their strengths and weaknesses and develop long-term strategies for survival. The towns range from Balmoral and district with 200 people to the regional centre of Hamilton with 9,300.

Our towns are suffering because of the continued decline in the terms of trade of the agricultural industry. The future of these towns will depend on attracting more tourists and increasing their length of stay and expenditure; encouraging farmers to retire locally rather than to relocate to capital cities, provincial centres and the coast; successfully promoting their lifestyle, low housing costs and other advantages to city residents, and to support by central governments for rural Australia.

The ability of rural towns and communities to access advances in telecommunications equal to those provided in the larger provincial and metropolitan areas is the next point. The survival of these towns is highly dependent on their ability to offer at least the basic personal and community services, including a reasonable standard of financial, health and educational services. We introduce that merely because the financial services and the banking services available are part of a jigsaw that go together to place a community in a viable situation.

As to the importance of financial services, the impact on a town and its businesses resulting from the closure of a bank branch has been well documented in the CAFI report. These impacts are significant and of a level where they will trigger the next round of business, service, employment and population losses. Many communities are fighting for the survival of their own towns, but feel that their efforts will be in vain unless some satisfactory, alternative form of financial service is provided to meet the everyday needs of residents and businesses.

No-one is naive enough to believe that the process of the major banks

closing branches is reversible, especially as these closures are now occurring in more substantial towns and major rural branches are constantly losing staff. Bankers have said that, once the last bank leaves a town, the leakage out of the local community is around \$100 per day per adult person. Approximately 20 per cent of business profitability is lost as people access services at a new financial service centre.

As the rural decline continues, the community mix changes and it can become very narrow in its make-up. We are facing a major adjustment to the social structure of rural Australia, probably not seen since the early 1950s with the introduction of the soldier settlement developments.

Local financial services provide personal and business security to residents. Travelling longer distances with cash is a daunting prospect for most people, as has been explained previously. Restructured local government has been expected to be pro-active in pursuing economic development. However, it is not realistic to expect development to occur in centres which require significant travelling for personal and business banking.

Our third heading is options investigated regarding the major banks' traditional branch network. Some of the options which have been explored, both through the Southern Grampian Shire and the Moyne Shire, for the areas of Koroit, Macarthur and Peshurst, include the Bendigo Bank area. This would provide an excellent level of service, but the franchise fee and the start-up capital costs appear to require a population base larger than most of the towns in south-west Victoria which have lost or are likely to lose their bank branches.

As to the Bank SA and St George area, this agency arrangement appears to work well in small South Australian towns and would seem to provide a reasonable, low cost alternative for the smaller towns. Credit unions: a feasibility study has recently been completed in Peshurst and it is hoped that this will prove attractive to the credit cooperative to establish a branch—it is strongly preferred by that particular community—or at least an agency. For perceptions of confidentiality, the scope of the service, a branch is a strong preference for the Peshurst community. However, the credit unions are not a realistic option for total banking services for larger customers. For example, they just do not have the ability to handle local government accounts totally.

Electronic Internet banking requires a considerable personal up-front investment and a degree of reasonable expertise by the users. It is not seen as a

practical solution for the majority of rural customers in the near future—and we stress ‘in the near future’. Electronic banking services promoted as alternatives by the major banks are not always accessible in rural areas. Information kits should be available to communities to assist them to identify the alternatives and to assist with the steps to be taken.

As an add-on point that is not contained within the printed matter, but which we can certainly provide, it is important to say that Internet banking, electronic banking and the e-commerce is evolving in the system but, in rural Australia, it is only available to a minority of our population and we will require a mix of new and old banking alternatives for some years to come.

Facilitating banking alternatives. Some suggestions to assist communities to cope with the loss of bank branches and increase their prospects of attracting reasonable alternatives are: restructure the agreement between the Commonwealth Bank and the post offices to allow these to provide an expanded range of financial services, including business and business cash collection; utilise one bank branch to service all banks, multi-franchising, and so improve the service and the viability of that branch; transferability of mortgages from one financial institution to another without the payment of additional stamp duty to allow residents to transfer loans to another local institution—for example, to a credit cooperative where the bank branch has closed; uniformity of financial institutions’ taxes throughout Australia. Customers should only have to pay one tax, no matter where they live or who they bank with.

Education and training of residents in electronic transfer, telephone banking and other technology based services; consultation, education and a thorough exploration of alternative services prior—and we stress prior—to the closure of a bank branch; publication of a guide to assist communities to manage the loss of a bank branch and to seek an alternative. This could also feature successful programs undertaken by other communities.

Financial institutions should be required to accept a social responsibility and to give communities adequate notice of their impending branch closure. We suggest a minimum of six months. This would give communities the opportunity to investigate and attract alternatives and, at least, to educate the community on how to access alternative arrangements—for example, through electronic banking.

It is fair to add that quite often the reason that is given by the banks for the

lack of notice for closure of bank branches is that it would create too much community uproar and loss of customers. It has been well documented that, when banks decide to close branches, they have already calculated for a large percentage of their customers to be lost. They identify the major ones they wish to hold, and usually enter into some agreement with them, prior to any notice being given. They obviously are prepared to lose a certain amount of custom anyway, and so we believe that sufficient notice would be very beneficial to communities.

In regard to some of the comments that have been made earlier this morning, it is pleasing to see a move, albeit a reluctant move, by the major banks to a slow recognition that they have not handled their current policy quite as well as they could have. That comes as a result of this inquiry. It has facilitated those major banks maybe to readdress some of their procedures. We thank the committee for instigating the inquiry. We would be more than happy to answer any questions from the panel.

CHAIR—Thank you. Would anyone else like to add to that?

Councillor Templeton—Could I perhaps highlight some of the points that we made there? I know it may be a bit repetitious.

CHAIR—We are on a fairly tight schedule, and we have all those points here.

Councillor Templeton—It will not take me very long.

CHAIR—Go ahead.

Councillor Templeton—I think you should recognise that many of the country communities around here have an elderly population, with in excess of 100 per cent of the national average, for example, of people over 65. There is a very real need that those people have for some banking facilities that they can understand. The business banking has been covered pretty well.

I had a bank manager say to me the other day—and this is exactly what Councillor Miller was saying—when I was pleading with him for education in our small community about not only what services they had but also what other banking facilities, in general, were available, ‘If we do that, they will know we are going to close the bank.’ That is a crazy answer to give to

anyone, as far as I am concerned.

The figure that banks quote—about \$100 per adult per day going out of the local community—is a horrific figure when you consider that, in this area, the last Department of Infrastructure figures say that greater than 75 per cent of the wage earners in this area earn less than \$25,000 per year. All the money is disappearing out of those country areas.

Mr WILLIS—Where does that figure come from?

Councillor Templeton—From the department.

Mr WILLIS—Which bankers?

Councillor Miller—That figure was discussed in conversations with bankers from the Bendigo Bank.

Mr WILLIS—So it was a Bendigo Bank figure?

Councillor Miller—Yes. That was quoted to us in general conversation.

Councillor Templeton—I think it is important that, if any recommendations come out of this inquiry, there is a reasonable amount of sustainability about the recommendations. We all have to live in changing times, but some of these communities are not as well equipped for change as some others are. Any short-term thing is really not going to be worth while setting up at all.

I also question whether the infrastructure is in place for some of the electronic banking services that are available in the cities. That is a major concern of all rural areas. Only the other day, the comparison was made that, last century, a town would not survive unless it was hooked on to a railway: it needed a railhead in its town. If we do not have the information technology superhighway to our communities, we are not going to go ahead, either. I would question whether a lot of rural communities have that available to them.

On the question of mobile banking, I would liken that to mobile libraries, and I would have thought that they themselves were very much under threat through information technology. The future of mobile banking is about

equivalent to that of mobile libraries.

CHAIR—Thank you for that. I will make a couple of comments before we have some questions. On the question of financial institution taxes, global pressures are likely to put a use-by date on those. I cannot tell you what it will be, but there is an expectation that they do have a limited life span. On the publication of a guide, I would hope that our report might provide a basis for just that. It may need summarising, as well.

I do have a question. You mention the difficulty of local government dealing with credit unions. My understanding is that the state government has moved to allow local government to bank with a credit union. What restraints do you still see there?

Councillor Miller—They certainly have, and they do have the ability now to deal with local government. It is the individual credit unions that are located near us that we have had discussions with. As an individual credit union, they do not have the capacity to deal with a local government account in its entirety. They could certainly handle parts of the account but they could not handle it all. It is just too big.

Mr WILLIS—What parts could they not handle?

Councillor Miller—I will ask our CEO to answer that.

Mr Shiell—The indication that the Warrnambool based credit union has given to us was a difficulty in the overdraft servicing and any significant loan requirements. There is some interest in some aspects of our investment area but certainly a reluctance to consider the whole package.

Mr WILLIS—Is it a matter of the size of the institution?

Mr Shiell—I believe so.

Mr WILTON—Do you have any evidence to suggest that, in anticipation of rural bank closures, locals are throwing their hands in the air and banking at the nearest major regional centre, even before a bank closes? Are people themselves acting as unwitting catalysts by transferring accounts to regional centres even before a local bank closes, in the expectation that it will close?

Councillor Miller—No. Certainly, our experience—as documented earlier by the community representatives—is that accounts were transferred without consultation with communities. In our case, it was transferred from Macarthur to Hamilton branch, so that it showed as a Hamilton branch account. There certainly has not been a physical movement. The bank would argue otherwise; but the practical outcome is evidenced by the queues that are now forming in the Hamilton branches—owing to the bank closures—that had never been seen previously.

Mr WILTON—Like the ones we saw this morning.

Councillor Miller—Yes. People were still banking locally and utilising their branches. It is all hearsay, of course, but we are told, from some of the employees at the banks in Hamilton, that they have never before seen business such as is happening now. Certainly, they considered the business coming to Hamilton now from the smaller towns as being more than the local branch in Hamilton had ever seen before. The fact that I think hurts communities most is that they have been very loyal to the banks that have remained in the community, and they have seen it as a complete abandonment of that loyalty.

CHAIR—Is this the National Bank in particular?

Councillor Miller—The National Bank is the one that was closed in Macarthur and Penshurst.

Mr WILLIS—You say in your submission—which, I must say, is very good; and we thank you for it—in relation to options that you are looking at, that one of them is the Bank SA and St George agency arrangement, which appears to work well in small South Australian towns. Would you like to expand on that a bit? Was this the ATM that we were hearing about from Macarthur, or is it something broader than that?

Councillor Miller—If I may, I will expand on what was proposed for Macarthur. It is not an ATM situation. What operates in the country towns in South Australia is very similar to the machine that you may see the teller operating in a normal bank branch: the electronic terminal that they operate with behind the counter. It does about 85 per cent of what can be accessed at a normal branch. It is required to be in a commercial premises; it is in an agency situation: no hole in the wall goes along with it.

In my opinion, it is a very good mix of electronic banking and the requirement by the elderly and the people that are not computer-literate, shall we say, and not up with the latest technologies. It is a card system, so it is a good interim system to get people used to moving towards the new technology, but it also has a physical presence to take them through that process. Especially for the elderly, they know that there is someone standing in front of them if they need help, but it is also introducing mentally that electronic use as well. It is not just a hole in the wall situation; it is a mix of both. There is commission paid to the store owner or the business operator for using that, which helps the viability of the township more than depleting it with the removal of bank branches.

Mr WILLIS—Thank you.

CHAIR—I might come back to a point that Councillor Templeton raised on infrastructure. I guess the government is conscious of that with the regional telecommunications fund. Have you done any work to document what sort of infrastructure is lacking in this area, such that it would be holding back some of these alternatives?

Councillor Templeton—Mr Chairman, that is something that is being handled by the greater green triangle. A collective of shires is actually working towards that and putting a submission together at this time.

CHAIR—Thanks. As always, the clock is always going to beat us. I thank you very much for appearing before the committee today. Before closing this part of today's hearings, we have two resolutions.

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

That the submissions Nos 109 and 110 be received as evidence into the inquiry into regional banking services and authorised for publication.

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

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

CHAIR—Thank you very much again for coming along, and thank you to

everyone else who has come along to this public hearing. I hope you can gain some benefit from seeing how the committee operates. We are very serious about the work we are undertaking and we hope that we will have a very worthwhile report at the end of these hearings.

Committee adjourned at 12.03 p.m.