



# HOUSE OF REPRESENTATIVES

**STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND  
PUBLIC ADMINISTRATION**

**Reference: Regional banking services**

**CANBERRA**

**Thursday, 28 May 1998**

**OFFICIAL HANSARD REPORT**

**CANBERRA**

HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON FINANCIAL INSTITUTIONS AND  
PUBLIC ADMINISTRATION

Members:

Mr Hawker (Chair)

Mr Albanese  
Mr Anthony  
Mr Causley  
Mrs Gallus  
Mr Hockey  
Mr Latham  
Mr Martin

Mr Mutch  
Dr Nelson  
Mr Pyne  
Dr Southcott  
Mr Willis  
Mr Wilton

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*Regional banking services*

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Present

Mr Hawker (Chair)

Mr Causley

Mr Latham

Mrs Gallus

Mr Pyne

Mr Hockey

Mr Wilton

Committee met at 10.23 a.m.

Mr Hawker took the chair.

**LESTER, Ms Jill Elizabeth, Head, Group Corporate Relations, Commonwealth Bank of Australia, 48 Martin Place, Sydney, New South Wales 2000**

**LONG, Mr Alfred Edgar, Head, Customer Service Division, Commonwealth Bank of Australia, Level 3, 48 Martin Place, Sydney, New South Wales 2000**

**PAREKH, Mr Mukesh, General Manager, Channel Planning, Commonwealth Bank of Australia, Level 15, 175 Pitt Street, Sydney, New South Wales 2000**

**CHAIR**—Welcome. Before proceeding, I would like to commend the Commonwealth Bank on the quality of its submission. The committee is heartened by its tone and the constructive nature of many of the strategies that the bank already has in place, or is prepared to consider putting in place, to assist communities to adjust to changes in the delivery of banking services.

Many of these changes have significant economic and social consequences particularly for those communities which have lost all of their bank branches. In this inquiry to date it has been the smaller banks, the non-bank financial institutions or organisations not traditionally involved in the delivery of financial services that have offered solutions to the problems that have been the focus of this inquiry. So it is encouraging to hear of the initiatives being taken by a major.

We are encouraged to learn, for instance, when the Commonwealth Bank closes a branch where there is no Australia Post outlet, that it establishes a private agency, that it has established a closure protocol and that it is developing education programs. We are interested today in examining in more detail the bank's initiatives in these and other areas.

With that, may I remind you that the evidence that you give at the public hearing today is considered to be part of the proceedings of the parliament. The giving of false or misleading evidence may be considered a contempt of the parliament. The committee has received your submission, No. 117, which has been authorised for publication. Are there any corrections or amendments you would like to make to your submission?

**Mr Long**—No, there are not.

**CHAIR**—Do you wish to make a brief opening statement before I ask members to proceed to questions?

**Mr Long**—Yes, just a brief statement. I will try to avoid the detail of the submission. Firstly, to establish my own credentials, I have been in the bank for 42 years. I worked in four states, starting in South Australia through to branch management status. I went to Sydney as an executive and then to Victoria as a senior executive, Queensland as state manager, Victoria as state manager; and now I am in Sydney as the head of the Customer Service Division.

Throughout my working life I have been closely involved with the network and with our customer base. In fact, going back in history, I was involved in the establishment of a number of branches in those various states, carrying out the investigations and so on. From that background, I now have responsibility for

delivering all of our business banking, personal banking and investment services to the bank's six million clients around Australia.

From that background also, it is interesting to note that the Commonwealth Bank has always followed the people. Right from the outset we opened branches where the people were going and where the development was taking place. For me, in my long term in the bank, it has been exciting to be a part of that development. Times have changed, of course, and with regard to the branches that we once opened and I was involved with, it is now extremely disappointing to find that from time to time we need to close some of those branches. Branches which we thought would be there forever are no longer viable, and that is an issue over which we have no real control.

The maturity, particularly in the country areas, of the industries there means that some of the supporting industries were no longer required in the smaller towns and the centralisation that has occurred has led to the situation where we have strengthened our presence in those stronger regional areas. Of course, all of that has led to some deterioration in the viability of the branches in the smaller towns.

On top of that, we have met a lot of competition in the industry in more recent years. We have new competitors who are endeavouring to pick off the profitable areas of banking, leaving us with the more expensive transactional banking elements. Those competitors are not establishing networks around the country and, in fact, rarely establish in the rural areas.

We have responded to that competition in innovative ways and also from the basis of pricing. As we do that, the profit margins are squeezed and that has a further impact on those branches in the country where viability has been deteriorating in any event.

You have seen our response in the submission. We are pleased to note your comments about the protocols we have established because that has been a very, very important part of our decision in leaving towns. We now seek to give at least six weeks notice of our departure.

We think there are broader issues influencing the rural communities. We have made the suggestion in our submission that, whilst the work of this inquiry is bringing to the fore very well the issues in respect of banking, there are wider issues that need to be considered to help to improve the lot of the rural community.

With those few words, Mr Chairman, I would like to say that we are pleased to be here today and we will be happy to answer any questions that you might have.

**CHAIR**—Thank you very much, Mr Long. I note that last point which we might come back to if we get time. I would like to start by asking you this: in your submission I think you detailed 222 branch closures in the last three years. I was wondering whether you could tell us how many branches you have closed in regional and rural Australia either in the last three years or preferably in the last five years.

**Mr Long**—We can do that. I should add that our position has been a little different from that of other banks in that following the merger with the State Bank of Victoria we had about 220 sites of dual representation. So we still term as a closure the removal of one of those sites when in fact we have left a

banking service in many of those places.

**CHAIR**—With that qualification, maybe you could say where you have gone from a presence to no presence.

**Mr Long**—The figure for total closures since 1992-93 in the urban areas is 243, and 171 SBV branches—State Bank of Victoria branches. In the country areas, there were 87 other and 52 related to the State Bank of Victoria, making a total of 553 since 1992-93.

**Mr CAUSLEY**—It seems to me in my area that the Commonwealth has not closed as many as the other majors. Is that an illusion?

**CHAIR**—He is on the north coast.

**Mr CAUSLEY**—The north coast of New South Wales—Grafton, Lismore, that area.

**Mr Long**—There is no geographic intent on our part. We are simply looking at duplicated sites, to start with, and we also look at the viability of the branches concerned. So it must be that in your area the branches there have—

**Mr CAUSLEY**—So your policy is the same as the other banks: if the bank is not viable, then you close it.

**Mr Long**—Yes, that is right.

**CHAIR**—Do you have an overall plan or strategy for bank branch closures?

**Mr Long**—No. We look at things as they develop. As I mentioned a moment ago, as competition has developed and pricing changes occur and so on, that can have an effect on the profitability of individual branches. So it is an issue that is unfolding as time goes by. We have a continual review process.

**Mr CAUSLEY**—Are the banks re-assessing the position? I know that competition has forced you down a track where, for economic reasons, you have had to make certain decisions. But do you think that you are now starting to re-assess that position? It seems to me that the majors are driving many of their customers to alternatives. I, for one, am a very disillusioned customer of a major bank. If an alternative came along, such as a regional bank that I know, I would go to it.

**Mr Long**—When you say ‘driving people to alternatives,’ we certainly have invested heavily in new technology. When doing so, we always look at it from the basis of the customer value proposition. We are endeavouring to make banking easier for people. We are endeavouring to do so on the basis that it gives them the ability to control their own destiny. Therefore, they should be able to control the fees they pay by understanding the process and by using the cheapest means possible that suit them. So we are actually giving people choice.

The introduction of this technology has had some very beneficial outcomes. What we are seeing is a very high take-up rate from all sections of the community. With regard to EFTPOS, for example, we have heard about country towns and the drift of business into regional towns because banks are closing and so on, but with an EFTPOS machine, the merchants in the smaller town can actually keep their clients there because they do not necessarily need cash; the money can be transferred from one account to another without the need for cash to pass hands. It also gives merchants the opportunity to recycle cash in that town.

I am very delighted to be able to say that our experience is that people in rural communities are taking up this technology at the same rate as, or ahead of, people in urban communities. The technology is not being forced on people. It is a cheaper means of delivering banking services—a far more convenient means for most clients—and people are using it.

**Mr CAUSLEY**—I agree with that but that drives the process even faster, doesn't it? The alternative I suppose I was referring to was the fact that a regional bank would provide a closer client service for business and which understands the business, instead of dealing with a manager who is hundreds of kilometres away and has no understanding of your business.

**Mr Long**—We should separate transactional banking from borrowing or investing. From the transactional perspective, I think there can be no argument that it is more convenient and very useful. Certainly, the community at large still needs to be able to talk to a human being from time to time, and we know that is the case. Again, on that score, in my time in the bank, I have noted that rural people, and farmers in particular, have probably been the first people to use phone banking on a normal basis, and they have been doing it for many years.

**Mr CAUSLEY**—Isolation drives that.

**Mr Long**—But it works, and it has been proven to work.

**Mr CAUSLEY**—I am not arguing that point. The point I am arguing is the ability to get someone who understands your particular business, instead of relying on a computer that rings bells and says, 'No, we're not even going to be interested in you.'

**Mr Long**—We have established, as you will have seen in our submission, a range of business banking centres around Australia in the last two years and most of those, in fact 43 of them, have been located in the country areas. We have domiciled mobile bankers in those centres with the sole aim of actually enabling our people to go and talk to their rural customers face to face, and that is having a good effect.

**CHAIR**—Just on that point, you said mobile bankers. That is a lending person, is it? It is that kind of facility?

**Mr Long**—It is not just a home loan mobile lender. It is a mobile banker who can talk about deposit facilities, business lending facilities or the like.

**Mr WILTON**—When we last met with you and David Murray, in response to a question from me



about whether he viewed banks as having a community service obligation, Mr Murray responded by talking of a checkout at a Coles supermarket, an analogy that I am sure you have heard him use before. He said there was no particular social justice checkout—that is, a cheap checkout—for bread or whatever it might be, nor therefore should there be one for banks. There are many communities, such as in my electorate, where five CBA branches have closed in the past 12 months, and they have generated petitions and some action. Has that response from your clients in any way caused the bank to rethink whatever community service obligations it might have?

**Mr Long**—I can only reiterate what David Murray has said—we have never had a community service obligation. In fact, right from the very beginning of the bank, we were charged with running the business on a commercial and profitable basis, and that is what we are doing today. What we have never departed from is the aim to provide a full banking service to every segment of the Australian community. We have not differentiated—unlike a lot of our competitors, who do not have a wide range of pensioners on their books and who do not provide school banking.

So we have not departed from our intention to continue to provide a service to the widest range of the Australian community, but the type of service is changing and we are all caught up in this process of change. In our submission, people have said, ‘The pensioners and the elderly will not adjust to this.’ Many of them will not, and we are still providing either through agencies or through our branches the kind of service they choose, but many are adjusting and now 35 per cent of our pensioner security accounts are being opened with electronic access and that number will increase as the years go by.

**Mrs GALLUS**—I just want to pick up on your point about making banking easier and using phone banking. This is the sort of mantra, isn’t it, that it is easier to use the phone and it is quicker when in fact it is not? I do not bank with the Commonwealth but, as an example, there were a couple of days when I had some large purchases and needed to move some money. I had to go through 40,000 different options on the phone. They listed which type of account I wanted to access. When I got into the accounts, it was which one of the accounts. I had to have all the numbers in front of me. I could not talk to a person. It took me 45 minutes from when I first picked up the receiver until I actually concluded this. So there is a bit of a furphy that it is all for the good of the customer and that it is going to be easier. If I had actually thought of it in the beginning and had not got caught up in it, I would have rung the bank and said, ‘I want you to take so much out of one account and put it in that cheque account,’ and we would have done it within three minutes.

**Mr Long**—I will be a little facetious and say it is time to change banks.

**Mrs GALLUS**—I suspect it would not be much different because that is the way computers work. You get it on every system where you ring up and they say, ‘Press 1 if you want such and such.’ It is the same with booking tickets on a plane.

**Mr Long**—I can only respond by saying that our phone rooms are now taking over one million calls a week, having started just four years ago from scratch. That number is growing dramatically—1.7 million to 1.8 million of our clients have established passwords to use the phone. Our clients certainly have the ability to go straight into the voice response unit or to override that and talk to somebody direct. The technology can work and will continue to improve, I have no doubt, but a lot of people are using it. I might add that my wife

uses it extensively.

**Mrs GALLUS**—I guess, if you are closing down branches, we are really not given much alternative but to use it. I do think we have to accept the fact that it is not always easier, especially for our older constituency who find it extraordinarily confusing trying to understand all these messages and things and which button to press. It might be better for the banks, but perhaps we should just pull back a bit on the rhetoric that it is always in the interest of the consumer, because I think a lot of this is not in the interests of the consumer.

**Mr Long**—Again, and without trying to be too dogmatic, I am absolutely surprised and delighted at the way in which people are accepting it. I actually sat in our phone room and spoke to elderly people during a campaign we had, and I can tell you that many of the elderly people have more time to learn how to do these things. We have gone out there in conjunction with the Australian Pensioners and Superannuants' Association and we made videos and special brochures with large printing and so on. We have taken a direct educational approach to actually help people have access to what is a far more convenient way of doing day-to-day banking. There will always be the need when big decisions have to be made for a lot of people to sit face to face with a banker and we recognise that and, to the fullest extent possible, we are giving people that choice.

**CHAIR**—Closing branches is the one thing that takes it away from you.

**Mrs GALLUS**—They have no choice.

**Mr Long**—It does and, as I said, that is caught up in what is happening in the community generally. We set these branches up, most of them on the basis that we thought they would be there forever, but the changing nature and the movement of communities away from those towns means we get to a point where viability cannot be sustained.

**Mr CAUSLEY**—It is not just towns; it is in the suburbs as well.

**Mr Long**—Yes, in the suburbs in particular. That is changing in the city areas as well, with the ageing populations, the change of use of those areas, the change in the nature of the population and so on. People bank away from that area because they bank where they work and so on. There are a whole range of changes that influence the community generally.

**Mr LATHAM**—Mr Long, how would you respond to the proposition made by some that the issuing of bank licences in Australia should be linked to the sorts of services that are provided? In particular, a licence would be conditional on some negotiated threshold with face to face basic banking services on a regional scale. You are obviously not delighted to hear about that proposition, but would the bank engage in negotiations to work out what might be an acceptable threshold of face to face services upon which a licence could then be issued and maintained?

**Mr Long**—In terms of the submission we have made, we can actually hold our heads up fairly proudly and say that we are providing a service to the community in a way that nobody else is. Therefore, we

do not think that is a fair proposition at all because we have proven over the life of this bank that without those sorts of imposts we have continued to provide a service to the whole community on a commercial basis.

**Mr LATHAM**—But if you are providing a service, why do you worry that it might then be a condition of the issue of a licence? You are doing it anyway.

**Mr Long**—Because we have to be able to run the business on a commercial basis.

**Mr LATHAM**—What if your competitors were required to provide the same level of service that you provide?

**Mr Long**—I thought we were heading away from a highly regulated society, and certainly we would not subscribe to anything that brings back more regulation.

**Mr LATHAM**—Okay.

**CHAIR**—Mr Long, you talked about how, when you close a branch, you always make sure there is some facility there—that is, an agency.

**Mr Long**—Yes.

**CHAIR**—What exactly do you consider the minimum to be provided at such an agency?

**Mr Long**—I will start out by dealing with the negative. The one issue we have not cracked at this point is the provision of a full service for a small business once we leave the town. We work very hard at that. Mr Parekh and I have been dealing with Australia Post for quite some time in an effort to overcome that difficulty. They do have problems at the moment. It means that they cannot immediately provide that kind of service but we are continuing to talk to see whether we can make some progress there.

**CHAIR**—Are you talking about technical problems or security problems?

**Mr Long**—I think from their perspective there are cheque clearance problems, for example, and some other cash handling problems—the delivery of cash and so on. But they are issues that we are continuing to talk about and, as we have mentioned in our submission, we are of course prepared to get together with the ABA, others in the industry, government bodies and the like to really get down to some serious talk about whether it is possible to provide some kind of service to overcome that issue. But it is the one nut we have not been able to crack to date. We are still working on it. With an agency, we certainly like to see our clients being able to get access, and most want access to cash—to be able to deposit cash or cheques—and they would be the major transactions required of an agency.

**CHAIR**—You are saying that to be able to do that, certainly for personal banking you can do it through giroPost where it is available—

**Mr Long**—Yes. GiroPost is not available in every town. In fact, our relationship with Australia Post extends beyond the giroPost system. We have agencies with their wider range of agents, not just those who carry giroPost.

**CHAIR**—But what do these others who have not got it actually provide in services?

**Mr Long**—We go into chemist shops or, in fact, in one or two cases we have agencies in council chambers and people can acquire bank cheques there. I have not got a list of the full range of services; have you?

**Mr Parekh**—Yes.

**Mr Long**—Would you like to go through them?

**Mr Parekh**—There are two types of agencies, basically. We have the giroPost network, which is on-line or computerised, and then we have the rest of the Australia Post network, which is approximately 900, which is manually based. In terms of the services of the manual agencies that you query, they can accept deposits to and withdrawals from ordinary passbook savings accounts and pensioner security accounts. I am just going through the manual agents at this point in time.

Dollarmite accounts for children can accept deposits only. The agencies can accept repayments to home loan accounts and obtain balances and inquiries on ordinary passbook savings accounts and pension security accounts. If they were on line, it facilitates withdrawals and deposits from debit cards, which manual agents cannot do, and balance and inquiries from a wider range of accounts because they have the terminals to obtain the balances from.

**Mr CAUSLEY**—Your association with Australia Post goes back a long way, almost to the inception of the bank.

**Mr Long**—Eighty years, actually.

**Mr CAUSLEY**—It has been put to the committee on occasions that Australia Post is probably seen as a bit of a saviour in this area, in that they do have outlets right across this regional area of Australia. It has also been suggested that maybe they could become multi-use facilities—in other words, not everyone belongs to the Commonwealth Bank. Do you have a comment as to whether other people could use them as well as you?

**Mr Long**—For many years our agreement with Australia Post was on an exclusive basis, but in more recent years with the inception of giroPost the Australia Post agencies are open to any banks that wish to sign up. So far, none of the other major banks has signed up. I was pleased to notice that finally one of the other banks announced yesterday that it will investigate that.

**CHAIR**—On that point, with Australia Post and agencies, are you prepared to consider the situation where you may actually set up a business agency through giroPost which could be in competition to a branch

in your area for the purposes of actually getting a system up and running for those who do not have a branch?

**Mr Long**—We do not really establish agencies to run in competition with their own branch, but it is up to us. If there is an agency established in the same town then we have to provide the kind of service that will encourage our clients to come to us and not the agencies. I would be extremely disappointed if those agencies were able to provide a better service than the branch.

**CHAIR**—The argument has been put to us by other banks that they are not that keen to go into giroPost if it means they have to provide access everywhere there is a giroPost terminal when in many cases it would be in competition with their own branch.

**Mr Long**—Yes. For us the issue has not been one of the migration of our business from the branch to the agency. Again, the agency has been seen as another convenience for our clients. We have stuck to that view and we have no reason to change it. I actually cannot quite understand where the other banks are coming from, except that there is a cost to us to have that agency arrangement with Australia Post. We have borne that cost over all these years, and I would like to dispel any notion that some might have that Australia Post is doing us a favour by carrying out this agency.

**CHAIR**—One of the complaints I have had, for example, is that if someone has to go to a post office or a post office agency to draw against their pension it is \$1.50 a transaction. Australia Post says that that goes to the bank.

**Mr Long**—I certainly do not want to disclose the fees that we pay to Australia Post in this forum, as that would be inappropriate. In essence, fees we collect from our clients are broadly being passed through to Australia Post for providing the service. We keep the client base.

**CHAIR**—I will just come back to this particular case I had in my area where someone came to me who had gone to the post office agency to withdraw cash against their pension because there was no branch in the town. It is \$1.50 a transaction and Australia Post says that is paid to the bank, not to it.

**Mr Long**—We have a fee charging regimen for pensioners that gives them a number of free transactions. In fact, they each get a rebate on fees of \$4.50 per month. From our position, people who use Australia Post are no worse off than if they were using the counter of the Commonwealth Bank.

**CHAIR**—In this case, this person may only withdraw two or three times a month and they are still being charged.

**Mr Long**—They are not charged a fee by Australia Post. We charge our clients the fees for operating their accounts. We pay Australia Post separately for the transactions they carry out on our behalf.

**CHAIR**—This person is obviously not getting those three or four free transactions.

**Mr Long**—If you care to give me the details later, I would be happy to look into it. There may be

some misunderstanding of what is going on there.

**CHAIR**—Thank you; I will. You talked about willingness to cooperate with the ABA. Would you like to expand ideas you have that could be useful to pursue in that forum or with the members?

**Mr Long**—That is difficult. When the ANZ came out a long time ago and mooted this idea, we contacted them immediately to see what they had in mind and there were no specific details available at that particular point. We have to indicate that there will be some difficulties to overcome. One of the things, for example, was just 12 months ago when we were being wrongly accused of colluding with the other banks on some issues. We would have to make sure that there was no risk of that kind of misunderstanding occurring. We are highly competitive with one another. If there was one point in serving all of our clients where there was a bit of bias in favour of one bank, we might see our business drifting across to one of the others. The competitive element has to be taken into account.

There are privacy issues also that would need to be addressed and, of course, a pretty good formula would need to be developed for the cost of sharing the facility. We have six million accounts. I think the closest other bank has something like three million accounts. We would not like to be carrying most of the burden of providing those facilities. All of those issues would need to be fully addressed—staff skilling, technology and the cost of interfacing the technology with the various computer systems of the other banks. We need to get together to begin to formulate some idea of how we would address all those issues.

**CHAIR**—Do I take it that there is a willingness there or is there a reluctance?

**Mr Long**—No, there is a willingness on our part. It would be wrong of me to walk away from here leaving you with the view that it would be done just like that after a week's negotiation. There would be far broader issues to consider than have been brought out today. There is definitely a willingness on our part, but you have to understand that there are issues that will need some thrashing out.

**CHAIR**—We hear all those points you raise, but when you have the choice between no bank branch in a town or, as one says, a multi-franchise facility, is it really that difficult to work through that? I hear what you say about the various competitive elements in it but, nonetheless, for that town, it is worth an awful lot.

**Mr Long**—Frankly, given the approach we have taken to date in making sure that there are facilities available in these towns, at least for the wider segment of the community, I suppose it is fair to say that we have not spent a lot of time to date on addressing those issues. But in line with our undertaking in our submission, we are prepared to get serious about that and to sit down and negotiate our way through the issues. I really cannot add much to that today.

**CHAIR**—Are there any alternatives that you see in your discussions through ABA that would be worth airing?

**Mr Long**—In respect of handling the business transaction side of things?

**CHAIR**—Yes.

**Mr Long**—Only that we will be continuing to work on our relationship with Australia Post to endeavour to overcome the problems there.

**Mr WILTON**—From my own experience—and I guess it would not be that hard to extrapolate the urban experience to the regional experience—in areas where there have been three CBA branches close within a fairly close proximity to one another, people have organised community protests outside the remaining CBA branch over the length of the queues at that branch. Meanwhile, after more than a year—up to 18 months in one case—the three closed branches all remain vacant shops. Is that something that the bank can deal with and can continue to justify—that there are queues in remaining branches whilst the closed branches are seen to remain vacant and gathering dust?

**Mr Long**—You are quite correct in saying there have been some organised protests. Of course, it is not surprising that in some of those protests we find that the people protesting have no association with the bank, but that is normal these days. With regard to the queues issue, we have six million clients, many of whom are pensioners, and they come in pretty much on the same day to withdraw money, so we do suffer a queue problem from place to place. Commercially, we bring part-time staff in—casual staff in—to address those peaks. But it is very difficult to staff an organisation to meet the peaks on other than that casual basis. Yes, it is an issue that we face and endeavour to address, but it does not take away from the fact that the branches we have closed were not viable to maintain.

**Mr WILTON**—The FSU has, understandably and legitimately, developed a policy whereby there cannot be fewer than two persons staffing a branch at any one time. In the event that physical security could be guaranteed and one staff member could occupy, say, a country branch, would that cause the bank to rethink the closure of some of its country branches?

**Mr Long**—I have not thought about that question well enough, but I can see too many risks in having one person located within a branch. It would be unfair on the individual. They could close the place at lunchtime and so on, but there are other breaks that people need to take during the day. It would be impossible to run a bank with one person.

**CHAIR**—Can I follow up on Mr Wilton's questioning there. You talk about the problems of people coming in on one day. If the Commonwealth government's periodic payments were staggered so that you got them on a steady basis rather than coming through on a particular day, would that help to make smaller branches more viable and therefore keep them open?

**Mr Long**—It would simply help to reduce queues and to spread that load. That is an issue that has been under discussion on many occasions over the years. I am not in a position to say, but hopefully it is an issue that might be closer to fruition than it has been previously.

**CHAIR**—I will take up that assumption in the answer: would the spreading of the workload help to make a small branch more viable, because you obviously would not need to have 'peak' staff?

**Mr Long**—No. The fact is you will be doing the same amount of business. Whilst we have some busy days, there are other days when we do not need quite as many staff, so it would balance out. I could not

see any major advantage, in an individual branch viability sense, in spreading that load.

**CHAIR**—On the question of new technologies, in some areas we have found that people do not have access to the infrastructure, whether it be the phone network or some of the other technology. What role do you think the banks have to play in ensuring that the appropriate infrastructure is available?

**Mr Long**—I am not sure of the extent to which your question is—

**CHAIR**—In assisting in providing some of that infrastructure.

**Mr Long**—In a marketing sense, there could well be some marketing ways of assisting, but generally it is not the role of banks to provide community infrastructure. In fact, it is an area that I know has been brought to the attention of this committee in other hearings. It is probably one of the issues that we thought could be addressed in a broader review of the issues affecting rural communities. Certainly, in many areas that infrastructure is not available and people do not have access to the on-line economy. That needs to be fixed, but we cannot fix that. We do not see it as our community responsibility to do that, either.

**Mr HOCKEY**—Increasingly, banks are relying on wholesale funding as opposed to retail funding. That is a growing trend. The CBA probably has a greater proportion of retail funding than anyone else, but do you see the increasing reliance of banks on wholesale funding being a further disincentive for banks to maintain an unprofitable branch network? If so, how do you address the problem when wholesale funding becomes more expensive than retail funding?

**Mr Long**—I can only speak for the Commonwealth Bank. We have not departed from our basis of funding our operations. We certainly have enjoyed a very strong deposit base and it is still growing. It is a major part of our planning for the funding of the bank. There is no deliberate policy on our part to discourage saving; to the contrary, we would encourage saving in the community. It is part of our role as a bank to take those deposits and to address the needs of those who want to borrow. I cannot speak for the other banks, but we will continue to use customer deposits in the funding of our operations.

**Mr HOCKEY**—All banks are doing it, it is not just the CBA, and from my perspective it is perfectly understandable. If you are reducing the number of branches to the extent that, if we are being realists, by the year 2005 there will not be any bank branches around, apart from very large branches in the cities, isn't that going to affect the extent of the retail funding that you have?

**Mr Long**—We have already mentioned earlier today the number of branches we have closed in the last five years. Our deposit growth in the last two to three years has been higher than previously. So despite the closure program, the alternatives we have put in place have ensured that our business has continued to grow.

**Mr HOCKEY**—Did you say before—I am sorry I missed it—that, if you closed a branch in a town, people were still opening up deposit accounts and depositing money?

**Mr Long**—That is right.



**Mr HOCKEY**—So you would have more accounts in a town if you closed a branch than if you maintained a branch?

**Mr Long**—No. What I am saying is that in the towns in which we close approximately—and this is an average—32 per cent of the transactions that formerly went through those branches go into agencies. Most of the balance of transactions are then dissipated into surrounding towns and other points of representation for us. Our deposit base has grown quite strongly in the last two to three years, despite the closure of those branches.

**Mr HOCKEY**—Has the amount of money in the accounts grown, or is it the number of transactions or the number of accounts?

**Mr Long**—The balances of accounts have grown significantly—balances are our main measure.

**Mr HOCKEY**—But balances grow naturally, you would hope, although the member for Werriwa might disagree about domestic savings. It is fair to say, if you have to grow an economy and all those various figures, then you are going to have deposits growing.

**Mr Long**—We are still opening accounts at an extremely rapid rate and the number of accounts is growing. In fact, our Award Saver account, which opened two years ago, has been hugely successful and very attractive to the community. I can only tell you that whilst some might think that the closure of the branches will lead to a reduction in the volume of our business, that is not the case. Across the board, we have grown our market share, which is a pretty good indication.

**Mr HOCKEY**—That is interesting. You are saying that if you close branches your market share grows.

**Mr Long**—What we are saying is that each point has to be viable and we have made it possible for people to find other alternatives of continuing to bank with the Commonwealth Bank.

**Mr CAUSLEY**—Would it not be dangerous to generalise? That growth you are talking about would be spotty, would it not?

**Mr Long**—It is impossible for me to talk to you about individual areas today. I simply cannot do that.

**Mr CAUSLEY**—It is fairly obvious, if we are talking about people concentrating in central areas, that you are not going to lose your accounts there, but we are talking more or less of the isolated areas where we are losing these services.

**Mr Long**—In the country areas we actually retain between 85 and 90 per cent of all of our clients—again, I am talking in averages.

**CHAIR**—We have heard that figure from other banks, too. Mr Long, could we turn to another point

that you raised at the end of your submission and at the end of your opening remarks, that is, the suggestion that there ought to be a national inquiry into the wider problems of rural restructuring. Would you like to expand on that?

**Mr Long**—We have a broad outline here which we would be happy to provide to you in the next day or two. We simply think that the areas of population decline and the interactive economic factors—by that I mean low commodity prices, intense competition for export markets, reduced tariff protection in Australia coupled with the retention of tariff protection elsewhere, and the impact of subsidies by other exporting nations and so on—are all issues that are woven into the rural position. There is the issue of communications infrastructure, and many areas are being poorly served in that regard, and of course the environmental degradation issues—the availability and quality of water and so on.

All of those things, we believe, are impacting on the rural position, and there is a need for all of those issues to be looked at overall, and hopefully a solution will eventually be found regarding what is happening in the rural communities. We think the banking issue is simply an outcome of the progressive change that has occurred there.

**CHAIR**—I would like to thank Mr Long, Mr Parekh and Ms Lester for appearing before the committee today.

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 11.16 a.m.**