

The Parliament of the Commonwealth of Australia

REGIONAL BANKING SERVICES:

Money too far away

Report from the House of Representatives Standing
Committee on Economics, Finance and
Public Administration

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FOREWORD

Technological and regulatory developments are transforming the way banking and like services are being delivered to the community. There is no doubt that some of these developments are improving access to banking in many parts of Australia. However, the changes have also resulted in many banks having significantly rationalised their branch networks leading to the loss of services for some, particularly in smaller regional and remote centres.

In conducting this inquiry, the Committee has concentrated on examining ways of ensuring that these communities maintain access to banking and like services and wherever possible to over-the-counter services.

It has been a highly effective inquiry. In addition to drawing attention to the very real impact of these changes on regional and remote communities, the inquiry has raised the profile of some important initiatives already in place. Moreover, it has prompted key players, including financial institutions, businesses and governments, to focus more attention on the needs of the communities in which they operate.

At the start of the inquiry, the attitude of the major banks in their dealings with the Committee was somewhat hesitant and defensive. I am pleased that during the course of the inquiry, there was a marked shift towards a more constructive attitude as the banks responded to the issues raised in submissions and during public hearings. This change in attitude has been accompanied by the development of some positive initiatives and by a number of public commitments. The work of the Committee has also had a very clear impact on the development of the Rural Transactions Centres Program.

The inquiry process has allowed communities from all over to Australia to express their concerns about changes in the delivery of financial services. This process has also been of some educative value in publicising some of the alternative means of accessing services. In short, the inquiry has been an excellent example of the value of the inquiry process and the House of Representatives Committee system.

The Committee has identified cooperation between all parties as being critical to the successful resolution of the issues covered in this inquiry. It has attempted in its conduct of this inquiry to foster that attitude. The Committee appreciates the constructive efforts made by many in the industry, governments, community organisations and individuals to provide the Committee with information through submissions, participation in public hearings and informal meetings.

I thank all the members of the Economics, Finance and Public Administration Committee and all members of the Financial Institutions and Public Administration Committee of the 38th Parliament, for their hard work on the inquiry and report.

David Hawker MP
Chairman

MEMBERS OF THE COMMITTEE

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TERMS OF REFERENCE

On 28 October 1997 the Treasurer, the Hon Peter Costello MP, provided the Standing Committee on Financial Institutions and Public Administration with terms of reference to inquire into and report on:

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

Following the establishment of the Standing Committee on Economics, Finance and Public Administration in the 39th Parliament, the Treasurer re-referred the inquiry with the same terms of reference.

ACRONYMS AND ABBREVIATIONS

AAA Program	Agriculture-Advancing Australia Program
ABA	Australian Bankers' Association
ABS	Australian Bureau of Statistics
ACC	Armoured Car Companies
ACCC	Australian Competition and Consumer Commission
ACOB	Australian Council of Businesswomen Ltd
ACOSS	Australian Council of Social Services
AFIC	Australian Financial Institutions Commission
ALGA	Australian Local Government Association
ALPA	Arnhemland Progressive Association
ANZ	Australian and New Zealand Bank
APCA	Australian Payments Clearing Association
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ATSIC	Aboriginal and Torres Strait Islander Commission
ATM	Automatic Teller Machine
CBA	Commonwealth Bank of Australia
CDEP	Community Development Employment Program
CRA	Community Reinvestment Act (USA)
CSO	Community Services Obligation
CUSCAL	Credit Union Services Corporation (Australia) Limited
CWA	Country Women's Association
DCA	Department of Communications and the Arts
DPIE	Department of Primary Industries and Energy
DRCS	Digital Radio Concentrator System
EBT	Electronic Benefits Transfer
EFTPOB	Electronic Funds Transfer at Point of Banking
EFTPOS	Electronic Funds Transfer at Point of Sale
FI Scheme	Financial Institutions Scheme
FSI	Financial System Inquiry
FSU	Finance Sector Union of Australia
IIA	Internet Industry Association
ISDN	Integrated Service Digital Network
ISP	Internet Service Provider
LGSA	Local Government and Shires Association
LPO	Licensed Post Office
NAB	National Australia Bank
NCC	National Competition Council
NFF	National Farmers' Federation
NSWFA	New South Wales Farmer's Association
ODN	Outback Digital Network
PC	Personal Computer
PIBA	Primary Industries Bank of Australia
POAAL	Post Office Agents Association Limited
PSA	Prices Surveillance Authority
QGAP	Queensland Government Agents Program
RBA	Reserve Bank of Australia

RRMA	Rural, Remote and Metropolitan Areas (Classification)
RTC	Rural Transaction Centres
RTIF	Rural Telecommunications Infrastructure Fund
STD	Subscriber Trunk Dialling
TASCOSS	Tasmanian Council of Social Services Inc.
USO	Universal Service Obligation
WAMA	Western Australian Municipal Association
WBC	Westpac Banking Corporation

LIST OF RECOMMENDATIONS

Chapter 1

Recommendation (1)

The Committee recommends that the Treasurer and the Minister for Financial Services and Regulation ensure that the Department of Social Security, in conjunction with the Commonwealth Services Delivery Agency, the Treasury and the finance sector, investigate and report on possible options for alternative payment instruments for government transfer payments as noted in the Government's response to the Recommendation 96 in the Wallis Report. (paragraph 1.26)

Chapter 2

Recommendation (2)

That the Minister for Regional Services, Territories and Local Government and the Minister for Financial Services and Regulation in consultation with State colleagues, undertake a collection of comprehensive data on the access communities have to financial services. (paragraph 2.30)

Recommendation (3)

The Committee recommends that the Code of Banking Practice be amended to require banks to give customers two months written notice before transferring accounts between branches without the permission of that customer. (paragraph 2.52)

Chapter 3

Recommendation (4)

The Committee recommends that Federal, State and Territory governments give high priority to concluding a Heads of Agreement covering transfer issues and to enacting the legislation necessary for the transfer of credit unions and other Financial Institutions Scheme bodies to the Commonwealth. (paragraph 3.24)

Recommendation (5)

The Committee recommends that the Australian Payments Clearing Association ensures that commercial practices governing property settlements do not continue favouring or mandating bank cheques. (paragraph 3.34)

Recommendation (6)

The Committee recommends that the Victorian Government amend its legislation relating to the use of credit unions by local governments to bring it in line with the other States and Territories. (paragraph 3.42)

Recommendation (7)

The Committee recommends that the Minister for Regional Services, Territories and Local Government ensures that the Rural Transaction Centres Program builds on State Government initiatives setting up government service centres to deliver financial services to regional areas. (paragraph 3.56)

Recommendation (8)

The Committee recommends that the Treasurer negotiates with the Minister for Communications to ensure Australia Post's giroPost services are extended to include business banking services. (paragraph 3.108)

Recommendation (9)

The Committee recommends that the Minister for Regional Services, Territories and Local Government and the Minister for Communications negotiate an agreement whereby funding from the Rural Transaction Centres Program be used to install giroPost or an EFTPOB style mechanism where communities are able to demonstrate that there is a need and demand for the services. (3. 126)

Recommendation (10)

The Committee recommends that the Minister for Financial Services and Regulation monitors the Guild Bank development with a view to facilitating such initiatives. (paragraph 3.165)

Recommendation (11)

The Committee recommends that the Minister for Regional Services, Territories and Local Government gives a high priority to determining the scope of the RTC program and the announcement of a timetable for implementation. (paragraph 3.183)

Chapter 4

Recommendation (12)

The Committee recommends that the Australian Bankers' Association open discussions with the Australian Local Government Association and other interested organisations about the feasibility and value to communities of placing ATMs in council offices and other such locations. (paragraph 4.11)

Recommendation (13)

The Committee recommends that the Minister for Communications in consultation with the Minister for Regional Services, Territories and Local Government undertakes to assist communities to utilise the Regional Telecommunications Infrastructure Fund to expand the number of Internet Service Providers in regional and remote Australia. (paragraph 4.59)

Recommendation (14)

The Committee recommends that the Regional Telecommunications Infrastructure Fund Board be urged to consider internet banking prospects when assessing funding for projects. (paragraph 4.79)

Recommendation (15)

The Committee recommends that the Minister for Community Services directs Centrelink to give priority to developing and implementing a trial in a small rural community of a smart card product which could be:

- reloaded over the telephone
- directly credited with government pensions
- used to purchase goods and /or services. (paragraph 4.100)

Chapter 5**Recommendation (16)**

The Committee recommends that the Commonwealth government undertakes, as part of the Rural Transaction Centres Program, to develop a method to contract Australia Post to deliver cash to areas in which Australia Post has a presence but in which there is no other financial institution. (paragraph 5.14)

Recommendation (17)

The Committee recommends that in the event of closing a branch, the bank concerned waives any fees or penalties incurred relating to the early repayment of loans or closing of accounts.(paragraph 5.39)

Recommendation (18)

The Committee recommends that state governments provide exemptions for stamp duties on any mortgages in instances where customers are transferring loans to another bank as a direct result of a bank closing the branch at which the loan was made. (paragraph 5.40)

Recommendation (19)

The Committee recommends that the Australian Bankers' Association develops a minimum standard of service delivery as a guideline for banks in the event of closing regional and remote branches. (paragraph 5.48)

Recommendation (20)

The Committee recommends that the industry adopts a branch closure protocol which incorporates the following:

- 1 Banks will give three months notice to customers and relevant community organisations such as Local Councils of their intention to close a branch.
- 2 Banks will consult with local communities about trends in the delivery of banking services and, in particular, about developments that have the potential to affect the delivery of services in that region. Included in this will be a genuine desire to use community goodwill to improve the viability of the branch. In the event of a decision to close a branch, banks will consult with the community about preferred options for alternative services and on the training to be provided in using alternative channels.
- 3 Banks will provide written notice of at least two months before changing the branch that manages an account.
- 4 In the event of closing or downgrading a branch below agency status, banks will waive any fees or penalties incurred relating to early repayment of loans or closing of accounts.
- 5 In the event of closing a branch, banks will be expected to leave behind some form of over-the-counter service that allows access to cash deposit and withdrawal facilities for personal and small business customers.
- 6 In the event of closing a branch, banks will provide face to face education and training for customers and the community in alternative forms of banking.

The first four items should be made mandatory and incorporated into the Code of Banking Practice. (paragraph 5.51)

Recommendation (21)

The Committee recommends that the Minister for Financial Services and Regulation monitors the practices of banks in the event of closing branches and reports back to the Committee within two years with respect to the:

- alternative services left in place
- period of notice given and method of giving notice
- degree of community consultation involved
- level of education and training provided for customers, and the
- imposition of any fees on customers who repay loans early or close accounts as a result of the closure of that branch.(paragraph 5.52)