



## Parliamentary Joint Committee on Corporations and Financial Services

---

### Money Matters in the Bush

Inquiry into the Level of Banking and Financial Services  
in Rural, Regional and Remote Areas of Australia

January 2004

© Commonwealth of Australia 2004

ISBN 0 642 71215 8

Printed by the Senate Printing Unit, Parliament House, Canberra.

# MEMBERS OF THE COMMITTEE

Senator Grant Chapman, **Chairman**

Senator Penny Wong, **Deputy Chair**

Senator George Brandis

Senator Stephen Conroy

Senator Andrew Murray

Mr Anthony Byrne MP

Mr Steven Ciobo MP

Mr Alan Griffin MP

Mr Gregory Hunt MP

Mr Stewart McArthur MP

## SECRETARIAT

Dr Kathleen Dermody, Secretary

Ms Bronwyn Meredith, Principal Research Officer

Ms Angela Lancsar, Executive Assistant

Suite SG.64

Parliament House

Canberra ACT 2600

T: 61 2 6277 3583

F: 61 2 6277 5719

E: [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

W: [www.aph.gov.au/senate/committee/corporations\\_ctte](http://www.aph.gov.au/senate/committee/corporations_ctte)



## DUTIES OF THE COMMITTEE

Section 243 of the *Australian Securities and Investments Commission Act 2001* sets out the duties of the Committee as follows:

The Parliamentary Committee's duties are:

- (a) to inquire into, and report to both Houses on:
  - (i) activities of ASIC or the Panel, or matters connected with such activities, to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed; or
  - (ii) the operation of the corporations legislation (other than the excluded provisions), or of any other law of the Commonwealth, of a State or Territory or of a foreign country that appears to the Parliamentary Committee to affect significantly the operation of the corporations legislation (other than the excluded provisions); and
- (b) to examine each annual report that is prepared by a body established by this Act and of which a copy has been laid before a House, and to report to both Houses on matters that appear in, or arise out of, that annual report and to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed; and
- (c) to inquire into any question in connection with its duties that is referred to it by a House, and to report to that House on that question.



## **TERMS OF REFERENCE**

On 25 July 2002, the Chairman of the Parliamentary Joint Committee on Corporations and Financial Services announced that the Committee had agreed to inquire into the level of banking and financial services available to Australians living in rural, regional and remote areas of the country. The inquiry was to place particular focus on:

- (a) options for making additional banking services available to rural and regional communities, including the potential for shared banking facilities;
- (b) options for expansion of banking facilities through non-traditional channels including new technologies;
- (c) the level of service currently available to rural and regional residents; and
- (d) international experiences and policies designed to enhance and improve the quality of rural banking services.





# TABLE OF CONTENTS

Members of the Committee	iii
Duties of the Committee	v
Terms of Reference	vii
List of Tables and Maps	xvii
Acronyms and Abbreviations	xix
Executive Summary	xxiii
Recommendations	xxxiii

## CHAPTER 1

### INTRODUCTION

Establishment of the inquiry	1
Conduct of the inquiry	1
Structure of the report	2
Acknowledgments	3

## CHAPTER 2

### BANK BRANCH CLOSURES IN RURAL, REGIONAL AND REMOTE AUSTRALIA

The trend in bank branch closures	7
The influence of globalisation on the banking industry	10
The context of branch closures	11
Deregulation	12
Financial regulatory policy	13
Technological developments	15
Changes in consumer preferences	16
Growing consumer demand for electronic banking	16
Banks investing in new technology	17
Summary	18
Demographics	18
The drift in population to larger regional centres and the ‘sponge city’ effect	19
Population shifts and bank branch closures	21
Regional shopping hubs and smaller towns	22
Questioning the nexus between population trends and branch closures	23
Conclusion	24

## **CHAPTER 3**

### **IMPACT OF BANK BRANCH CLOSURES ON THE COMMUNITY**

General decline in the provision of services	27
Branch closures and the decline in service provision to country Australia	29
The effect of bank closures in country areas on local residents	30
Inconvenience and costs	30
Savings and security implications	31
Limited choices	31
Financial exclusion	31
The effect of branch closures on businesses in country towns	33
Daily banking affairs—inconvenience and costs	33
Safety and security associated with cash management	34
Fall in trade	35
Erosion of business-banker relationship and the loss of business opportunities	37
Limited choice in accessing finance	39
The effect of bank branch closures on the community	40
Conclusion	42

## **CHAPTER 4**

### **MANAGING BRANCH CLOSURES**

Moratorium on closure and community reaction	45
Background to the protocol for bank branch closures	47
Development of the bank branch closure protocol	48
Notice of intention to close branch	51
Period of notice	51
Consultation	53
The transition period	56
Education and training	56
Services available after branch closure	57
Portability of accounts—costs associated with transferring accounts	58
Other disincentives to switching accounts	62
Omissions from protocol	63
Notice before changing the branch that manages the account	63
Community impact statement	65
Amendments to the branch closure protocol	66
Conclusion	67

## **CHAPTER 5**

### **COMPETITION IN THE BANKING INDUSTRY—WINNERS AND LOSERS**

Competition and contestability in the banking industry	71
Agribusiness	72
Retail banking transactions in country Australia	74
Conclusion	77

## **CHAPTER 6**

### **ACCESS TO BANKING SERVICES IN AUSTRALIA**

Anticipated branch closures	79
Current access to a banking service—overview	79
Statistics on access to banking services	80
APRA’s ‘Points of Presence’ database	81
Problems with definitions—branch and agency	82
Other difficulties in analysing the data	83
Lack of analysis	83
A map of the distribution of banking and financial services in Australia	85
Conclusion	87

## **CHAPTER 7**

### **SHARED BANKING FACILITIES AND MOBILE BANKS**

Introduction	89
Shared banking	89
Perceived problems with shared banking	90
Potential to undermine quality and level of service	90
Conflicts in a shared facility environment	91
Administrative difficulties	92
Regulatory impediments—the Trade Practices Act	93
Regulatory impediments—Financial Services Reform Act (FSRA)	95
Mobile banks	97
Community support for mobile banking	97
Banks’ attitude to mobile banking	98

## **CHAPTER 8**

### **CREDIT UNIONS, BUILDING SOCIETIES AND COMMUNITY BANKS**

A new regulatory regime for ADIs	101
Credit Unions	104

Building societies	105
Barriers to entry	106
Start-up costs	106
Portability and banking practices	107
Prudential regulations	111
Requirements under the FSRA	113
Status of non-bank ADIs	118
Lack of experience in servicing the financial needs of farmers	120
Levy on industry	121
Community Banks	122
The Bendigo Bank model	123
The Heritage Building Society model	124
The advantages offered by a community bank	125
Reinvigorate the economic life of a community	125
Dividends for the community	127
Establishing a community bank	127
Community support, commitment and determination	128
Leadership and business skills	128
Start-up costs	128
Failure or take-over	131
Owner-managed branches	132
Bank of Queensland	133
Conclusion	133

## **CHAPTER 9**

### **AGENCIES AND POST OFFICES**

Agencies	135
Westpac	137
ANZ	139
Commonwealth Bank	139
St George	139
Bendigo Bank	139
Agencies associated with credit unions and building societies	140
Shortcomings	140
Limited services	141
Privacy and concerns about security	142
Banks' view	142
Summary	143
Australia Post	143

Business banking	145
Shortcomings of Australia Post agencies	146
Privacy	146
Small business banking service	148
Scope for expansion	149
Summary	151
Conclusion	152

## **CHAPTER 10**

### **RURAL TRANSACTION CENTRES**

CreditCare	153
Background to the RTC programme	154
The RTC program and Post Office outlets	156
RTCs—broad support	157
Support from local government	158
Support from financial providers	159
Shortcomings of RTCs	160
Implementation—slow start	160
Limited range of services	162
Meeting the needs of business	163
Strategies to expand services	164
Funding	166
Conclusion	168

## **CHAPTER 11**

### **AUTOMATIC TELLER MACHINES AND ELECTRONIC FUNDS TRANSFER AT POINT OF SALE TERMINAL**

Background—ATMs and EFTPOS	173
ATMs and EFTPOS—consumer benefits	173
Fees and charges	174
Drawbacks for consumers	175
Distribution of ATMs and EFTPOS terminals	176
Costs and security	176
Limited services	177
Safety, security, competency and confidence	178
Physical access and industry standards	178
Foreign ATMs—fees and charges	180

## **CHAPTER 12**

### **TELEPHONE AND INTERNET BANKING**

Computer and internet use in Australia	183
Access to a computer	183
Access to the Internet	184
The growing use of the internet and telephone for banking purposes	186
Small business and electronic banking	188
Farmers and electronic banking	188
Overall trend in the use of electronic banking in country Australia	189
Provision of telecommunications services in country Australia	189
Overall accessibility to electronic banking	190
Inadequate infrastructure	191
Broadband	193
Affordability	197
Cash flow and cash management problems	199
Establishing a relationship between customer and banker	200
Conclusion	200

## **CHAPTER 13**

### **THE POTENTIAL OF ELECTRONIC BANKING**

Using technology to bridge the divide	204
Electronic banking and customer relationships	206
The broader issue of access to financial advice and assistance	208
Use of video conferencing	209
Conclusion	210

## **CHAPTER 14**

### **OLDER AUSTRALIANS**

Older people in rural, regional and remote Australia	215
Transport	216
Older Australians and the use of new technology	217
Strong attachment to traditional banking	220
Older Australians navigating electronic banking	221
Proficiency in using new technology	222
Risk of financial exclusion	223
Education and training	224
Building confidence in the use of new technology	225

## **CHAPTER 15**

### **INDIGENOUS AUSTRALIANS**

Indigenous communities in remote Australia	231
Banking and financial services for Indigenous Australians	234
Telecommunications infrastructure	236
Committee’s view—telecommunications	239
Competency and confidence in using new technology	240
Financial literacy	241
Safety net banking account	243
Committee’s view	244
Book up	246
Education and training	248

## **CHAPTER 16**

### **THE CULTURAL ENVIRONMENT**

‘Money Dreaming’	255
Delivering culturally appropriate services	256
The Tangentyere Council	257
The Traditional Credit Union	267
Limitations on expanding services	269
The regulatory regime and compliance costs	270
Competition with the traditional banks	271
The Cape York Community	271
Summary	272
Committee view	273
Rural Transaction Centres in remote Indigenous communities	274
Investment capital in remote Indigenous communities	278

## **CHAPTER 17**

### **COMMUNITY SERVICE OBLIGATIONS**

Public expectations of financial services providers	285
The banks’ awareness of community expectations	286
Financial institutions and community obligations	286
Minimum standards expected of financial institutions	288
Committee view	289
Community Service Obligation	289
Imposing a community service obligation	290
Licensing requirement	291

Stronger government intervention	291
Access to finance and financial advice	294
The banks as invigorators and sustainers of social capital	294
Overseas models	297
The United Kingdom	298
United States of America (USA)	299
Canada	300
Lessons for Australia	302
Local Government	305
Conclusion	306
<b>SELECT BIBLIOGRAPHY</b>	309
<b>ADDITIONAL COMMENTS BY LABOR MEMBERS</b>	317
APPENDIX 1	
<b>SUBMISSIONS AND TABLED DOCUMENTS</b>	323
APPENDIX 2	
<b>PUBLIC HEARINGS AND WITNESSES</b>	329
APPENDIX 3	
<b>STATE GOVERNMENT EXEMPTIONS FOR STAMP DUTY ON REFINANCED LOANS</b>	337
APPENDIX 4	
<b>POINTS OF PRESENCE BY STATE AND SERVICE CHANNEL (JUNE 2001)</b>	339
APPENDIX 5	
<b>BANKING AND FINANCIAL SERVICES IN REGIONAL AND REMOTE NORTHERN TERRITORY</b>	343
APPENDIX 6	
<b>TOWNS ASSISTED BY CREDITCARE TO REGAIN FINANCIAL SERVICES</b>	351
APPENDIX 7	
<b>THE GOVERNMENT'S RESPONSE TO THE RECOMMENDATIONS OF THE REGIONAL TELECOMMUNICATIONS INQUIRY</b>	353