CHAPTER 10

RURAL TRANSACTION CENTRES

10.1   The giroPost experience demonstrates the enormous advantages to be gained through co-operation between financial institutions and other enterprises. Such collaboration coupled with advances in technology broaden the scope for improved delivery of financial services to country Australia.

10.2   This chapter looks at another venture, the Rural Transaction Centre (RTC) Program, that is presenting similar opportunities for various parties to enter a joint arrangement to provide a range of services including banking and financial services to small country towns. The first section of this chapter documents the history of the CreditCare initiative—the predecessor to the RTC program—before examining in detail the operation of RTCs.

CreditCare

10.3   Credit unions and the Commonwealth initiated the CreditCare project in June 1995 with the aim of using the self-help and community focus of credit unions to meet the challenge of providing financial services in 'no bank' towns.[1]

10.4   Within two years of its establishment, the program had contacted 85 communities around Australia and facilitated the development of 29 new establishments.[2] In light of its success, the project received in 1997 an additional $2.4 million to extend its operation for a further three years.[3] Almost 60 communities— serving around 40,000 residents—regained access to financial services through initiatives under the CreditCare program[4] (see appendix 6).

10.5   The funding established a network of CreditCare Field Officers, employed through CUSCAL and with experience in the provision of financial services, to work with communities to bring financial services back to their town. Community groups such as the Crows Nest Tourist and Progress Association appreciated the early assistance offered through the CreditCare program. According to members of the

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1   Press Release, Minister for Primary Industries and Energy, Mr John Anderson, 13 May 1997 and Press Release, Minister for Primary Industries and Energy, Mr John Anderson, 11 November 1997.

2   Press Release, Minister for Primary Industries and Energy, Mr John Anderson, 13 May 1997.

3   *Submission* 109, p. 9. See also Dr Gary Lewis, 'Laughing All the Way to the Credit Union': the CreditCare Experience in 'No Bank' Towns 1995–2000, ACCORD, University of Technology, Sydney, November 2001, p. 72.

4   *Submission* 109, p. 9. See also Dr Gary Lewis, 'Laughing All the Way to the Credit Union': the CreditCare Experience in 'No Bank' Towns 1995–2000, ACCORD, University of Technology, Sydney, November 2001, p. 72.

association, CreditCare provided the necessary outside expertise, the confidence building, the structure and finally the support to push their venture of a community bank 'over the line'.[5]

10.6   It should be emphasised that CreditCare did not cover the start-up costs or provide the initial seed funding for institutions to open services in smaller communities in regional Australia. Rather the program relied on community support to develop a detailed business plan to demonstrate the viability of the service provision to a financial institution.[6] Dr Gary Lewis explained:

> The model was carefully designed to neither directly fund nor subsidise the establishment of credit union branches or agencies. Rather the program provided resources to assist communities *themselves* discover the means of re-establishing financial services utilising existing resources, and link these with a host institution. CreditCare's maxim was that it was in a community not simply to *help* but to help a community *help itself*.[7]

10.7   CUSCAL believed that the lack of funds in this area was a real constraint on the capacity of the program and that it reached a point where there 'seemed to be limited opportunities for the sector—largely, the credit union sector—to continue to open those services without some additional support for some of the infrastructure and start-up costs'.[8]

10.8   While the CreditCare scheme was a valuable model that offered important lessons for policy makers, it became apparent that 'a wider program was required to address growing service needs in towns without banks.' Since the closure of the CreditCare program in 2000, federal initiatives to deliver financial services to rural areas have been implemented through the Rural Transaction Centre scheme. As with the CreditCare program, the RTC programs focus on small towns without banks.[9]

Background to the RTC programme

10.9   The RTC scheme was launched in March 1999, as a Commonwealth Government initiative to restore services to rural and regional Australia. It is a $70 million program over five years and was funded from the sale of the first tranche of Telstra to establish 500 RTCs in rural areas with populations of up to 3,000.

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5   Notes taken during the Committee's site inspection of the Crows Nest Community Bank, 21 May 2003.

6   *Submission* 109, p. 23.

7   Gary Lewis, 'Laughing All the Way to the Credit Union' The CreditCare Experience in 'No Bank' Towns 1995–2000', *ACCORD,* University of Technology, Sydney, November 2001, p. 10.

8   *Committee Hansard*, 25 February 2003, p. 167.

9   *Submission* 109, p. 23.

10.10   The Program was designed as a grassroots measure to provide funds to help small communities with practical and focused support.[10] It is based on the premise that in some instances the provision of a particular service such as a banking or welfare service may simply not be feasible as a stand-alone operation but may be viable in conjunction with the provision of a number of other services. In essence, the RTC model is based on the core assumptions that:

- there are extensive economic and community benefits to be gained from the collocation of government, private sector and community services; and

- in the longer term, the centres will develop into sustainable community managed small businesses.[11]

10.11   The RTC scheme involves considerably more funding than the CreditCare project, including options to subsidise infrastructure and operational costs. As noted above, the limitation in being able to assist with start-up costs was a significant weakness in CreditCare projects. CUSCAL was of the view that the RTC program appeared to offer a much 'better funded model that would enable some of those issues to be addressed'. It should be noted that, after initial funding for start-up costs or running costs during an establishment period, RTCs are expected to be self sustaining.[12]

10.12   Each RTC is tailored to meet the varied and unique needs of the community it serves. The types of services they offer include:

- financial services (including business services)
- post, phone, fax, Internet
- medicare easyclaim
- Centrelink
- facilities for visiting professionals
- printing, secretarial services
- tourism, involvement in employment schemes
- insurance, taxation
- federal, state and local government services.

In 1999, Senator the Hon. Ian MacDonald, then Minister for Regional Services, Territories and Local Government, explained:

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10   *Submission* 109, p. 25.

11   Department of Transport and Regional Services, *Submission* 127, p. 4.

12   Joint Media Release, John Anderson, Minister for Transport and Regional Services and Senator Ian Macdonald, Minister for Regional Services, Territories and Local Government, '$70 million kickstart for Rural Services', 11 March 1999, No. A29/99.

> The local communities decide the range of services, the service providers, the location of the centre and manage its operation. We just provide the set up funds.[13]

10.13   Before plans can proceed in earnest, those applying for funds must establish a case showing that their proposal is commercially viable. The Department of Transport and Regional Services described the process in applying for RTC funds:

> Generally RTC applicants are required to demonstrate that any RTC will be viable and sustainable in the longer term either through the anticipated business turnover or indirectly through the commitment of a third party such as a local government.[14]

10.14   It informed the Committee that in some instances the RTC Program has contributed to the costs associated with providing a building to house the financial services or assisted with the costs of equipment such as ATMs and safes. It noted that generally the financial institution funds the installation and running costs of terminals and other significant equipment.[15]

The RTC program and Post Office outlets

10.15   As part of the RTC Program, the Commonwealth Government is funding eligible Licensed Post Offices to install Australia Post's electronic point of sale (EPOS) equipment. It allows access to giroPost.

10.16   As noted in the previous chapter, there are approximately 900 Australia Post outlets nationwide that do not have the electronic equipment to deliver on-line financial transactions. According to both Australia Post and the Post Office Agents' Association, 12,000 transactions of a financial nature are required before the installation and use of giroPost is commercially viable. The RTC Program provides two avenues for non on-line outlets in rural and remote areas to apply for funding for the provision of giroPost:

- under the business planning process a community group may request funding for a range of functions including giroPost to be located at the local postal outlet; and

- a separate phased process allows the Licensee to apply directly for giroPost funding from the RTC Program.[16]

10.17   Under the Program, the installation of EPOS is being implemented in stages:

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13   Press Release, Senator the Hon Ian Macdonald, Minister for Regional Services, Territories and Local Government, 'Launch of the first Rural Transaction Centre, Eugowra NSW', 28 October 1999: address, MS27/99.

14   Department of Transport and Regional Services, *Submission* 127, p. 4.

15   Department of Transport and Regional Services, *Submission* 127, p. 4.

16   *Submission* 106, p. 3.

- phase 1—Licensed Post Offices processing over 5,000 transactions at 30 June 2001;

- phase 2—Licensed Post Offices processing over 5,000 transactions with limited financial services.[17]

10.18   It should be noted that Australia Post informed the Committee that of their 900 outlets without giroPost only 21 per cent or 193 record between 5,000 and 10,000 transactions a year and 40 per cent conduct between 2,500 and 5,000.

10.19   In effect, the scheme would see the RTC program fund the provision of giroPost in circumstances where the Post Office outlet falls below the required 12,000 transactions. As at March 2003, one hundred and four had been brought on-line over the previous 18 months or so and a further 60 had been invited to apply through the RTC program. Mr McCloskey, Australia Post, explained:

> The capital funding has been provided from the RTC program. In the initial stages, any shortfall in the operating costs are being met under the RTC program. Once that program finishes, part of the condition is that the licensees will then become liable—if that is the correct word—to pay an annual technology fee to Australia Post, which is something that licensees currently do under the EPOS system, and Australia Post will look at picking up the shortfall if the number of transactions in those particular outlets does not reach the 10,000 limit.[18]

10.20   The Post Office Agents Association welcomed the extension of the RTC program to some of their manually operated outlets but could see advantages in extending EPOS to all post offices which it suggested 'would be a huge boost to country areas.' It noted correctly, however, that some post offices may be so small that even with technology they are never going to be viable giroPost facilities.[19]

RTCs—broad support

10.21   Partnership between various groups—private enterprise, community groups and government—are central to the success of the RTC program. The CPS Credit Union (SA) Ltd stated that communities must be prepared to co-contribute to the banking services within their community. Similarly it argued that governments (State and Local) will need to co-operate more with the communities and financial institutions to provide some of the infrastructure needed.[20]

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17   Rural Transaction Centres, 'Licensed Post Offices; http://www.dotars.gov.au/rtc/epos/index.htm (7 April 2003).

18   *Committee Hansard*, 12 March 2003, p. 393. The annual technology fee is in the vicinity of $1,500.

19   *Committee Hansard*, 27 February 2003, p. 358.

20   *Submission* 59, p. 1.

Support from local government

10.22   Many local councils recorded their approval of the RTC model recognising its potential for expanding services in smaller country locations.[21] Mr Goodfellow, Elders Rural Bank, stated that one of the better options for delivering financial services in small towns was through the shire or local council. He maintained:

> The rural transaction centre concept—with a lot of negotiation and discussion amongst local government associations and members and, more recently, at a higher level of government—has provided opportunities and cash flow for rural transaction centres to prosper.[22]

10.23   Mr Nigel Hand from the Port Broughton RTC agreed with the view that the local council can have a pivotal role in both establishing the Centre and ensuring its viability by offering assistance such as providing premises at less than cost, access to equipment and help with staffing.[23] In Blackbutt, the RTC runs at a loss of approximately $8,000 per annum but continues to operate through the direct assistance of the Nanango Shire Council.[24] Indeed, in numerous cases the involvement of local government in supporting RTCs has been essential.[25]

10.24   The Gulin Gulin & Weemol Community Council Aboriginal Corporation submitted that for several months it had been working towards the development of a business plan for the operation of an RTC in Bulman. It saw the RTC program as an ideal solution—'a proven means to provide additional services'.[26]

10.25   The Narrandera Shire Council also recognised the advantages in having RTCs provide small communities with access to electronic banking services. An RTC was opened on 27 August 2003 at Barrellan due to the joint efforts of the Council and the owner of the Australia Post outlet through the Department of Transport and Regional services. It offers e-banking facilities using giroPost, Centrelink Access Point, Medicare easyclaim, public access to business equipment and to Internet and e-mail facilities.[27] The Council urges the Government to continue with this program.[28] Endorsing this view, the Summerland Credit Union Limited submitted that:

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21   CUSCAL, *Submission* 109, p. 26. See also The Gunning Shire Council, *Submission* 56, p. 1.

22   *Committee Hansard*, 12 March 2003, p. 374.

23   Information gathered during the Committee's inspection of the RTC at Port Broughton, 13 March 2003.

24   Information gathered during the Committee's inspection of the RTC at Blackbutt, 21 May 2003.

25   See also the Manangatang Improvement Group Inc, *Submission* 90, p. 1.

26   *Submission* 8, pp. 1–2.

27   Press Release, Narrandera Shire Council.

28   *Submission* 36, p. 1.

> The continued establishment of RTCs is to be applauded and will no doubt provide a valuable service to a good many rural and remote communities. This is especially so for those communities deemed too small to support any sort of commercial enterprise be it bank or credit union. Not only do RTCs meet their banking needs but also assist in providing some of the services they have traditionally lacked or replacing those that have disappeared following the latest round of withdrawal of many government services.[29]

10.26   It envisaged the expansion of RTCs not only as filling a gap in the provision of banking services to rural and regional communities but as a means to reverse the trend of declining services. It stated:

> The maintenance and expansion of the RTC scheme will have a number of positive flow on effects. Not only will it provide essential banking services to a large part of regional Australia from which the banks have withdrawn services but it will also assist in creating a significant number of employment prospects within that area.[30]

10.27   Likewise, the Nanango Shire Council welcomed the establishment of an RTC in Blackbutt which provides many government services and has become 'a true advantage' for its residents. According to the Council, the RTC is instrumental in cutting travelling time and expense for residents who do not have to journey to a larger regional town to avail themselves of these services.[31]

Support from financial providers

10.28   There are many financial service providers keen to participate in the program. The Summerland Credit Union Limited, told the Committee that credit unions in particular have a social charter to provide cooperative banking services to those overlooked by the traditional banking services. It maintained that participation in the RTC program 'sits very comfortably with this charter and is an area in which the credit union industry has considerable expertise'. It saw a role for credit unions in facilitating the roll out of such a program.[32]

10.29   A number of the major banks have also shown an interest in the program. The ANZ is actively involved in the RTC initiative through providing full personal and business banking transaction services at the Victorian Rural Transaction Centre in Welshpool and the South Australia RTCs in Port Broughton and Port Macdonnell.[33] It noted:

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29   *Submission* 116, p. [5].

30   The Summerland Credit Union Limited, *Submission* 116, p. [6].

31   *Submission* 10, p. 1.

32   The Summerland Credit Union Limited, *Submission* 116, p. [6].

33   *Submission* 121, p. 8.

> The RTC program is a viable alternative because the third party who operates the RTC, such as the local council, community organisation or chamber of commerce, provides the infrastructure and staffing costs. This provides an opportunity for ANZ to provide face-to-face banking services on a lower cost basis than would otherwise be possible.[34]

It supported this initiative which in its view has been successful in increasing the level of face-to-face banking in a number of rural and regional locations.[35]

10.30   Westpac is also involved in the program. It informed the Committee that the local community in Leitchville, Victoria, approached it to purchase its former bank premises. Westpac explained that:

> The community only had $10,000 to invest so Westpac subsequently agreed to make the sale for that amount. The community has subsequently established a Rural Transaction Centre which includes a Westpac In-store.[36]

Shortcomings of RTCs

10.31   Although many witnesses supported the RTC program, some nonetheless criticised or raised questions about the followings aspects:

- the implementation process;

- the limited range of services;

- commercial viability;

- maintaining momentum; and

- future funding.

The following section looks in turn at the issues identified above.

Implementation—slow start

10.32   A number of witnesses were disappointed with the program's slow start. The Finance Sector Union of Australia observed that there were 49 RTCs throughout Australia which is 'hardly an adequate replacement for the thousands of branches closed across the country'.[37] The Summerland Credit Union, which has been involved in one such establishment at Coraki, also noted that only 49 RTCs had been established with a smaller number still in the pipeline.[38] A recent update shows that to

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34   *Submission* 121, p. 8.

35   *Submission* 121, p. 4.

36   *Submission* 110, p. 10.

37   *Submission* 69, p. 2.

38   *Submission* 116, p. [6].

October 2002, 124 RTCs had received approval and there were 65 communities which had operational RTCs.[39] This number is still far short of the goal of 500 RTCs. Further, nearly one third of these establishments were initiated under the CreditCare scheme.

10.33   According to Mr Shaun McBride, Local Government Association of New South Wales, the program's goals had probably been optimistic but the program was gathering some momentum.[40]

Figure 10.1—Status of Rural Transaction Centres, February 2003
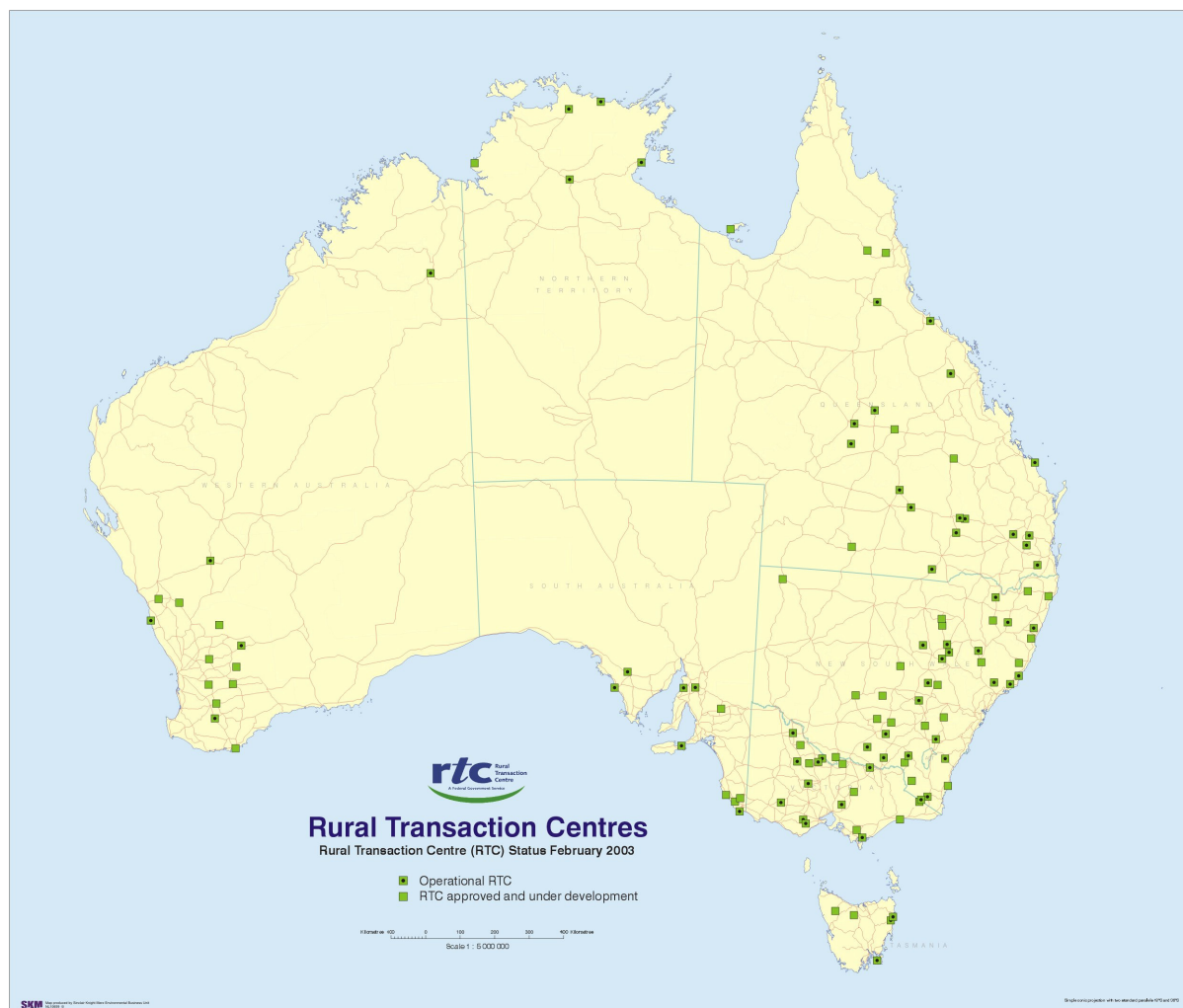
10.34   In drawing attention to the time taken to establish an RTC, the Summerland Credit Union cited a number of reasons for the slow start ranging from 'the difficulties in galvanising local support, through to overcoming the bureaucratic obstacles associated with any government funded scheme'.[41] It suggested that the program

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39   Department of Transport and Regional Services, *Submission* 127, p. 1.

40   *Committee Hansard*, 25 February 2003, p. 158.

41   The Summerland Credit Union Limited, *Submission* 116, p. [6]. See also evidence by the TCU, *Committee Hansard*, 21 July 2003, p. 527.

administration be streamlined to speed up the process of establishing an RTC. In its view, this process could involve 'the elimination of a number of layers of government involvement with say funding provided direct to local government'.[42]

10.35   CUSCAL also identified problems with delays in the establishment of new RTCs and the lengthy approval processes as major concerns. It claimed that 'limited support for the community building phase of compiling applications and business plans', placed a high demand on volunteer community members.[43] It also recommended a streamlining of approval and review processes for communities to reduce waiting times.[44]

10.36   Based on its experiences with establishing RTCs at Dirrandbi and Bell, the Heritage Building Society found the process 'fairly cumbersome and time consuming.' It also noted the difficulties during the start-up period of an RTC and recognised the need for funding for the initial inquiry and survey costs to establish the business case for such a facility.[45] Mr Read-Smith acknowledged that the early exploration stage could be a big impost on a community to raise funds for the surveys to establish the commercial viability of a proposal. He added 'particularly as it is moneys that is, in a sense, at risk, it may not lead, depending upon outcome of the business case analysis, to a project getting off the ground'. He suggested that this is an area where governments could play a role.[46]

10.37   The Committee appreciates the importance of early and well-targeted assistance from the Department of Transport and Regional Services to guide interested parties through the process of developing a business plan. It notes the valuable role taken by field officers under the CreditCare scheme in facilitating and expediting the early stages of investigating and planning for the establishment of a community-based service provider.

Limited range of services

10.38   While appreciating the contribution that RTCs are making in providing financial services, CUSCAL was concerned that a number of RTCs appear to offer very limited services and some are operating without a financial service component. It considered the provision of a financial service in an RTC as essential to its viability.[47] It claimed:

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42   The Summerland Credit Union Limited, *Submission* 116, p. [6].

43   *Submission* 109, p. 26.

44   *Submission* 109, p. 27.

45   Fraser Read-Smith, *Committee Hansard*, 23 May 2003, pp. 492–3.

46   *Committee Hansard*, 23 May 2003, p. 494.

47   *Committee Hansard*, 25 February 2003, p. 167. See also *Submission* 109, p. 27.

RTCs are 'output' focused, often with limited services (eg Medicare Easyclaim). While important, these services alone do not deliver on the program aims.[48]

10.39 The Department of Transport and Regional Services informed the Committee that of the 65 communities that have operational RTCs only 26 deliver a financial service through either a bank, credit union, building society or community bank.[49]

10.40 CUSCAL also maintained that the RTC model had not expanded to seek new service areas or partnerships with private and public sector bodies. It suggested that the program has limited focus that is tied to creating a viable commercial model to sponsor additional services.[50]

10.41 The Committee accepts that progress in implementing the program is disappointing and is particularly concerned that so few RTCs offer a financial service.

Meeting the needs of business

10.42 RTCs share the same problems as agencies and post office outlets in catering for the particular needs of small business (see paragraphs 9.19–9.22). They do not always meet or suit the requirements of business customers and face security and privacy issues. For example, most RTCs do not facilitate business transactions including business cash deposits and withdrawals nor form part of the commercial world providing advice and access to finance so necessary for small businesses to develop. The Gunning Shire Council informed the Committee that it was successful in establishing an RTC within the Gunning Post Office. It noted, however, that only $3,000 can be banked in any one day and third party cheques cannot be banked into individual accounts.[51] The Australian Centre for Co-operative Research and Development stated:

> The capacity of locally owned businesses and social enterprises can be enabled by locally based and supported financial institutions that understand and help their business customers (eg develop business plans or look at alternative sources of finance to expand and invest and overcome collateral difficulties, and business cash flow difficulties). Recent years have seen a huge decline in rural banking services that have not been replaced by services that understand or cater for the financial needs of rural businesses and community enterprises. Community banks, Rural Transaction Centres and Giro Post institutions do not cater for the specific needs of small business and community enterprise needs; nor do they attempt to understand what they are.[52]

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48   *Submission* 109, p. 27.

49   Department of Transport and Regional Services, *Submission* 127, p. 1.

50   *Submission* 109, p. 27.

51   *Submission* 56, p. 1.

52   *Submission* 80, p. 2.

10.43   The Report in Chapter 3 described at length how the absence of a bank branch in a town creates difficulties for local businesses in the day-to-day management of cash flow but also limits their access to professional advice and to finance.[53]

Strategies to expand services

10.44   Of the RTCs that are established, the Department of Transport and Regional Services highlighted the importance of commitment to the program. It noted that community-driven solutions often rely on communities developing the necessary skills to deliver and manage financial services. It asserted that providing appropriate training and small business management skills to deliver effective banking services can be time consuming and involves a continuing commitment on the part of the community.

10.45   CUSCAL also noted the importance of sustaining the level of enthusiasm for and commitment to the centres. It suggested, however, that there was a lack of ongoing support services for RTCs once established.[54] Indeed, during its site visit to Blackbutt, the Committee was surprised to learn that no communication links had developed between the various RTCs, even with those operating in neighbouring districts. It would appear that no one has assumed responsibility for ensuring that operators and groups involved in the work of RTCs form a nationwide network of enterprises pursuing similar goals. At the moment there is no effective mechanism that brings RTCs together as a cohesive group.

10.46   A number of councils raised a related issue dealing with the level of communication and understanding that exists between the bureaucracy and those seeking assistance from the program. They indicated that departmental officers do not appreciate the uniqueness of communities, their specific needs and how the RTC program could assist them. Mr Clinton Weber, Rosalie Shire Council, told the Committee of difficulties the officers in Canberra had in comprehending the decentralised nature of the shire with its numerous small local towns with populations of between 200 and 300 people dotted throughout the district. He stated:

> Our main problem was getting somebody to understand where we were coming from rather than them trying to explain to us where the program was coming from.[55]

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53   See Chapter 3, para. 3.51.

54   *Submission* 109, p. 26.

55   *Committee Hansard*, 22 May 2003, p. 455. He stated further 'Rosalie has 13 individual small communities, and the program was aimed more at areas where there was a larger population in a more confined area…we had difficulty getting understanding in Canberra as to the number of townships that are outlined here—that some of them were only three or four kilometres away, with 200 or 300 people in each town, but that, when you get to the local politics, they are distinctly local, distinctly two different towns. That, as well as the understanding of the very decentralised nature of the place, was difficult to get across.'

10.47   The Nyirranggulung Mardrulk Ngadberre Regional Council reported that progress to establish an RTC at Bulman in the Northern Territory had stalled because:

> Bulman's remoteness makes it impossible to undertake the negotiation necessary to develop the agreements and commitments required to complete a business plan…
>
> The negotiation process was intended to be aided by an RTC Field Officer. Whilst it may be true that our field officer was involved in negotiation with providers at the general level of convincing providers of the need to fully cost remote service provision, including lease of facilities, it seems that specific negotiations to get agreements on the Bulman site never took place.[56]

10.48   The Committee believes that the program could benefit greatly by having a strong communication network linking all RTCs. This would give those involved in the program a better appreciation of how RTCs operate in different areas, the types of arrangements others have entered into and the range of services they offer. For example the department was concerned about the disclosure of commissions and their disparity between individual centres especially in light of the lack of competition. It noted in its submission:

> When entering into contractual arrangements with financial institutions communities should be aware of the typical arrangements in place in other communities. In terms of financial service providers in RTCs there is great variation in policies on commissions and retainers and the products offered differ. This has resulted in some disparity between RTCs. For example commissions can range between $1.00 and $1.60 per transaction.[57]

10.49   In the Committee's view, the RTC program should incorporate as part of its on-going support and development strategies a component dedicated to bringing RTCs together to share and gain valuable insight from each other's experience. Regular workshops would provide an ideal opportunity for those involved in RTCs to exchange ideas. The Committee envisages the Department of Transport and Regional Services as a catalyst in facilitating communication between RTCs. Through this type of involvement, the department would not only foster stronger links between RTCs but would enable its officers to gain a better understanding of the operation of RTCs in other areas and the various approaches taken to expand the businesses. With the assistance of those actually working in the RTCs, the department would be better placed to develop and implement measures to improve the operation of the scheme and to offer guidance to those contemplating establishing an RTC.

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56   Correspondence received as additional information, Nyirranggulung Mardrulk Ngadberre Regional Council to Committee, 11 September 2003. This correspondence follows a submission by the Gulin Gulin & Weemol Community Aboriginal Council. Gulin Gulin is a member community for this region.

57   Department of Transport and Regional Services, *Submission* 127, p. 10.

Recommendation 9

The Committee recognises a need for those managing RTCs to be part of a more effective communication network so that they can benefit from each other's experience and provide valuable advice for those considering applying for assistance. The Committee recommends that the Department of Transport and Regional Services take a more active role in encouraging the development of stronger links between RTCs throughout Australia and between RTCs and departmental officers.

10.50   In looking at matters such as the Government's role in assisting communities with the establishment of an RTC, the question arises about on-going support for the program. Some witnesses argued that the Government should remain an active partner in the RTC program and that its involvement should go beyond merely the establishment of an RTC. CUSCAL stated:

> …whilst many of those RTCs are operating very effectively, there continues to be a need for a government program that oversees and coordinates some of those initiatives and assists those centres. It would be a tragedy if those communities that had fought to get services back to their area lost out because of the lack of a coherent strategy or a strategy that continues to be funded post mid-2004.[58]

10.51   The Committee is concerned about ensuring that the program not only retains momentum but explores new ways to expand and improve its operation. This matter raises the issue of funding the program not only to make certain that the gains already made are not lost but to determine whether extra funding is warranted.

Funding

10.52   The same economic imperative applies to RTCs as to giroPost and community banks—they need to achieve a level of activity to ensure that the facility becomes commercially viable. Put bluntly, however, there are some localities that are not able to support an RTC. Mr McBride, Local Government Association of New South Wales concluded:

> I think in some areas it was never realistic to expect them to be self-funding—maybe contributing significantly to their cost, but never fully self-funding.[59]

10.53   For example the Laverton Shire Council investigated the setting up of an RTC. It received a grant under the program to carry out a feasibility study but failed to establish that the enterprise would be commercially viable. The RTC service,

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58   *Committee Hansard*, 25 February 2003, p. 169.

59   *Committee Hansard*, 25 February 2003, p. 158.

therefore, has not proceeded because the proposed centre would not have been self-sufficient in the long term.[60]

10.54   The situation in very small communities, where the local economy cannot support even a basic banking facility, presents challenges for decision makers and questions the requirement for all RTCs to be self-funding. Indeed, some submissions saw increased funding as a means to further support the RTC program and advocated a less demanding approach to the requirement for a centre to be commercially viable.[61]

10.55   The Summerland Credit Union would like to see 'a further financial commitment to fund the establishment of a far greater number of Rural Transaction Centres, as was initially intended'.[62] The Rosalie Shire Council submitted that it may be necessary for the RTC program to finance any losses involved in operating this service, at least for a period up to five years, after which the level of assistance could be reviewed.[63]

10.56   In some cases, the local council has been prepared to subsidise an RTC. The Nanango Shire Council provides between $8,000 and $10,000 to the RTC at Blackbutt to keep it operational. When the National closed its doors in Blackbutt five years ago, it left the town of 800 people and a district of 2,000 without banking services. Councillor Lee explained:

> …if we were to wave a wand tomorrow and the credit union in Blackbutt disappeared, there would be a terrific upheaval over it. You could not do it, because it is a community facility that is provided by the council and is expected by those people down there to be provided by local authority.[64]

10.57   In this case the local council has accepted responsibility for ensuring that the residents of Blackbutt have a banking service in their town. This situation poses the question about whether such an undertaking is the responsibility of local government. Mrs Zerbst felt that the council has a lot of other services to deliver and should not be the ones that have to provide financial services to a town.[65]

10.58   The Committee accepts that some areas may not qualify for assistance because they cannot establish a sound business case for an RTC. Clearly some councils, recognising this commercial reality, propose that funding under the RTC

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60   *Submission* 31, p. 1.

61   The East Gippsland Shire Council recommended that the Federal Government provide through the RTC Program incentives to rural Councils to enter into agency arrangements with banks *Submission* 75, pp. 3, 5.

62   The Summerland Credit Union Limited, *Submission* 116, p. [6].

63   *Submission* 16, p. 1.

64   *Committee Hansard*, 22 May 2003, p. 481.

65   *Committee Hansard*, 22 May 2003, p. 473.

program should be extended beyond the current guidelines. This issue of funding raises the question about subsidisation for communities unable to qualify for RTC funding on commercial grounds alone. The same issue arose in relation to the absence of giroPost in towns where the number of financial transactions simply could not support its installation.

10.59   Professor Ian Harper stated that he thought it was acceptable for government to support or subsidise programs such as RTCs but with qualifications. He told the Committee:

> …it is entirely appropriate for the Australian government to be easing the community through this transition…my concern is that the motivation behind it is not to stop the advance of a tide which is simply unstoppable. By all means, provide tax breaks to regional areas and subsidies that are targeted. Provided they are competitive, they can seed this process. Sometimes all that is necessary is to publicise the opportunities.[66]

10.60   The Committee acknowledges the work that has been achieved through the RTC program and recognises that it has the potential to continue to make a valuable contribution to the provision of services to regional, rural and remote Australia. It fully supports on-going funding for the RTC program. Even so, the Committee believes that the program could benefit from a review of its operation.

Conclusion

10.61   The Committee endorses the RTC program as an effective means of restoring services to towns. It also notes that an RTC is a means of providing services to a small community that may never have had such services.

10.62   The Committee witnessed the success of the RTC program when it looked at the contribution being made by the Electricity Credit Union and the Heritage Building Society in delivering banking services to small communities in South West Queensland. In both cases, the institutions had stepped in to fill the void left by the major banks which had either left the community without a bank presence or were withdrawing their services from the town. In both cases the community organisation had assistance from either the CreditCare or RTC program. The RTC at Port Broughton with assistance from the local council was also delivering banking services to a community in need of improved banking services.

10.63   An RTC can be a means of renewing confidence, promoting local enterprise, and providing a convenient and safe location for people to conduct their banking affairs with staff on hand to assist them in transacting business. This in turn may reverse the trend of declining services by attracting and retaining business in the town. The presence of an RTC, however, does not address all the problems experienced by a community that has lost or never had access to adequate basic services.

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66   *Committee Hansard*, 26 February 2003, p. 246.

10.64   While the Committee believes that such a scheme holds promise it is concerned about:

- its slow progress;

- the number of RTCs that do not provide banking and financial services;

- sustaining, even reinvigorating, the program to ensure that the progress made is built upon and not eroded;

- future funding.

10.65   In   light   of   such   concerns   the   Committee   makes   the   following recommendation:

Recommendation 10

The Committee recommends that the Australian Government conduct a review of the RTC program and its future direction. The review would:

- **identify ways to streamline the process of applying for funding and to better assist communities formulate a business case for an RTC;**

- **develop a program designed to produce a better and more effective communication network between individual RTCs;**

- **establish why many RTCs do not provide banking or financial services;**

- **examine the scope and formulate a better strategy for extending the services provided by the centres particularly the provision of banking and financial services;**

- **determine the adequacy of the level of funding, especially the requirement for on-going funding, to ensure that established centres maintain their momentum and that new centres can be established; and**

- **consider the value in subsidising RTCs in localities without accesses to banking services but which would have difficulty in becoming self sufficient**.

10.66   The drafting of this report was nearing completion when the Australian National Audit Office released its performance audit report, *The Administration of Telecommunications Grants*, which looked at a number of government programs including the RTC program. Among its key findings was that the Department of Transport and Regional Services did not translate the Government's program objectives for the RTC program into 'operational objectives that would have helped to establish an appropriate performance management framework to monitor the efficiency and effectiveness of program delivery'. It found failings in the initial planning process, in particular 'the absence of any mechanism for feeding information gained from the evaluation of individual projects into an evaluation of the efficiency and effectiveness of the programs.'

10.67   The audit report noted that the department is aware of many of the shortcomings with the administration of the RTC program and is working towards resolving them.

10.68   Although the audit report and this report cover some common ground and the department is taking action to evaluate and rectify a number of problems highlighted in the auditor's report, the Committee believes that it should nonetheless retain its recommendation for the Government to review the program. In doing so, the Committee wants to reinforce the message coming out of the auditor's report and the department's own evaluation that a serious review is needed and problems with the program must be addressed.

10.69   Furthermore, the Committee emphasises that any review of the program should place a clear emphasis on RTCs as providers of banking and financial services and be directed at enhancing this role not downgrading it

Recommendation 11

In light of the findings of the Auditor-General, Audit Report No. 12, 2003–4, *The Administration of Telecommunications Grants*, the Committee recommends that the Government make a public recommitment to the RTC program especially to enhancing its role as a provider of banking and financial services to areas without access to such services.

10.70   Community banks, giroPost and the RTC program have demonstrated that small communities together with private enterprise and government assistance can work together to find solutions to providing their communities with access to banking and financial services. As noted in the report such joint ventures require the combination of a number of key factors—community drive, commitment and leadership, critical mass, a sympathetic and willing financial service provider and in some instances government subsidy. Even when these factors do come together, the provision of banking services may fall short of the community's needs and expectations.

10.71   Advances in technology offer some hope of improved banking and financial services. The following section of the report focuses on this aspect of banking services.