

CHAPTER 12

TELEPHONE AND INTERNET BANKING

Computer and internet use in Australia

12.1 Various studies have found that advances in information technology have cut the cost of transmitting, processing and storing information. This has lowered the costs of providing a range of financial services and transformed the way in which these services are produced and delivered.¹

12.2 This chapter looks at the growing use of the internet and telephone as a means of banking and its adequacy in providing banking and financial services to Australians in regional, rural and remote areas. It also discusses some of the impediments that discourage people from using this mode of banking.

12.3 The Internet is an interconnected web of networks that transfers information between computers or smaller networks of computers. This web connects independent computers, communications entities and information systems.² Internet traffic initially travels between a link from the customer to the Internet Service Provider (ISP). The connection between a customer and the ISP is dedicated and through dial-up.³

12.4 Australia is among the world's most enthusiastic users of high-technology products.⁴ Dr Jennifer Curtin noted that in the last four years, Australians have increasingly taken up the use of the Internet, to the point where they are one of the highest user populations in the world, third after Sweden and the United States.⁵

Access to a computer

12.5 The Australian Bureau of Statistics has conducted a major survey of household use of information technology which shows that the proportion of

1 Christopher Kent and Guy Debelle, *Trends in the Australian Banking System: Implications for Financial System Stability and Monetary Policy*, Research Discussion Paper, Reserve Bank of Australia, March 1999. *Financial System Inquiry, Final Report*, March 1997, pp. 99–109.

2 Definition given in Gary Madden and Grant Coble-Neal, 'Internet Economics and Policy: An Australian Perspective', *The Economic Record*, vol. 78, no. 242, September 2002, pp. 343–357.

3 See Gary Madden and Grant Coble-Neal, 'Internet Economics and Policy: An Australian Perspective', *The Economic Record*, vol. 78, no. 242, September 2002, p. 345.

4 John Simon and Sharon Wardrop, 'Australian Use of Information Technology and its Contribution to Growth', Research Discussion Paper, 2002–02, January 2002, pp. 1–3; Australian Bureau of Statistics, *Household Use of Information Technology*, Catalogue No. 8146.0, Commonwealth of Australia, Canberra, May 2001, p. 3.

5 Dr Jennifer Curtin, 'A Digital Divide in Rural and Regional Australia,' Current Issues Brief 1, 2001–02, Department of the Parliamentary Library, 7 August 2001, p. 1.

Australian households with access to a computer at home has increased steadily from 44 per cent in 1998 to 47 per cent in 1999 and 53 per cent in 2000. By 2002, 61 per cent of Australian households had access to a computer.⁶ The statistics also clearly indicate that rural communities are well behind the major cities in the acquisition and use of information technology.

Table 12.1—Number and Proportion of Households with Access to a Home Computer in Metropolitan and Non-metropolitan Areas: 1998–2002⁷

<i>Region</i>	Number of households (‘000)					Proportion of all households %				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Metropolitan areas	r2 126	r2 302	r2 543	2 928	3 091	48	r51	r55	62	65
Ex-Metropolitan areas	r958	r1 035	r1 260	1 383	1 465	38	r40	48	52	54
Total	r3 083	r3 337	r3 803	4 311	4 556	r44	r47	53	58	61
r revised										

Access to the Internet

12.6 In comparing table 12.1 and 12.2, the statistics show that the percentage of households with access to a computer is significantly higher than those with home internet access. In 2002, 61% of households had access to a home computer but only 46% had access to home internet. The overall pattern of internet access over recent years shows a steady upward trend from a low 16% of households in 1998 to 32% in 2000 and 46% in 2002.

12.7 Table 12.2⁸ also shows that those in metropolitan areas are more likely to have access to the internet.⁹

6 Australian Bureau of Statistics, *Household Use of Information Technology*, 2001–02, Catalogue No. 8146.0, Canberra, September 2003, p. 5.

7 Statistics taken from Australian Bureau of Statistics, *Household Use of Information Technology*, 2001–02, Catalogue No. 8146.0, Canberra, September 2003, Table 2.1, p. 8. These figures differ slightly from statistics recorded in earlier series. For example the percentage figures given in the earlier series published in 2001 for the total proportion of all households with access to a home computer was 45 per cent for 1998 and 48 per cent for 1999.

8 Statistics taken from Australian Bureau of Statistics, *Household Use of Information Technology*, Catalogue No. 8146.0, Canberra, May 2001, p. 5.

Table 12.2—Number and Proportion of Households with Home Internet Access in Metropolitan and Non-metropolitan Areas: 1998–2002¹⁰

Region	Number of households (‘000)					Proportion of all households %				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
Metropolitan areas	r834	r1 151	r1 665	2 206	2 398	19	r25	r36	47	50
Ex-Metropolitan areas	r264	387	676	908	1 047	10	15	26	34	39
Total	1 098	1 538	2 340	3 114	3 445	16	22	32	42	46
r revised										

12.8 The difference in internet use between those in metropolitan areas and those in other areas hovers around 11 per cent. In 2002, 50 per cent of households in metropolitan areas had access to the internet compared with 39 per cent in non-metropolitan regions.

12.9 Dr Bruce Swanson suggested that this difference would probably be magnified if broken down further into major regional centres and smaller rural towns. He was of the view that ‘rural Australia is not well situated in terms of skills or infrastructure to compete with the urban workforce for the new ‘location independent’ industries or to fully realise the potential benefits of IT to its own industries’.¹¹

12.10 This view accords with the experiences of those living in country Australia. The Goulburn Shire Council was of the opinion that ‘the uptake of online new technology is lower in rural and regional communities and within certain demographic categories’. For example, it attributed the apparent lower number of personal computers and access to the Internet in rural and regional areas in part to differentials in disposable income levels.¹²

9 Australian Bureau of Statistics, *Household Use of Information Technology*, Catalogue No. 8146.0, Canberra, May 2001.

10 Statistics taken from Australian Bureau of Statistics, *Household Use of Information Technology*, 2001–02, Catalogue No. 8146.0, Canberra, September 2003, Table 2.2, p. 9.

11 Dr Bruce Swanson, ‘Information Technology and Under-Served Communities’, http://www.telehealth.org/au/discussion_papers/info_tech.html (29 October 2002).

12 *Submission 41*, p. 1.

12.11 Recent data produced by the ABS shows that the rise in the number of households with access to the internet has been accompanied by an increase in the number of Australians using the Internet to pay bills or transfer funds.

Table 12.3—Persons who use the Internet to pay bills or transfer funds: 2001–2002¹³

Internet transaction—Paid bills or transferred funds via the Internet (a)				
Region	1999	2000	2001	2002
	%	%	%	%
Metropolitan areas	3	11	19	26
Ex-Metropolitan areas	2	6	12	18
Total	3	9	17	23

(a) Percentages are of all persons aged 18 years and over.

12.12 A notable feature of the above table when compared to table 12.2 is the significant difference between those who have access to the internet and those who use the internet to pay bills or transfer funds. For instance, in 2002, 39% of households in non-metropolitan areas had access to the internet but only 18% of Australian adults in these areas were using the internet to pay bills or transfer funds.

The growing use of the internet and telephone for banking purposes

12.13 Statistics available on telephone banking also show a steady increase in its use. The ABS found that in any one quarter in 1998:

- 1% of adults had used the internet for banking or bill paying purposes;
- 35% had used the telephone to pay bills or conduct their banking.¹⁴
- 61% had used EFTPOS; and
- nearly 69% of adults had used an ATM for banking purposes;

12.14 The following table shows the steady and substantial growth in the use of these four channels to pay bills or transfer funds since 1998.

¹³ Statistics taken from Australian Bureau of Statistics, *Household Use of Information Technology*, Catalogue No. 8146.0, Canberra, 6 June 2000, p. 18; 8 May 2001, p. 19; and 10 September 2003, pp. 38 and 39.

¹⁴ Australian Bureau of Statistics, *Household Use of Information Technology*, Catalogue No. 8146.0, Canberra, May 1999, p. 8.

Table 12.4—Payment of bills or transfer of funds using internet, telephone, EFTPOS and ATM¹⁵

Adults Undertaking Internet and Selected Electronic Transactions								
	Paid Bills or transferred funds via the internet		Paid Bills or transferred funds via phone		Paid Bills or transferred funds via EFTPOS		Transferred or withdrew funds via ATM	
	1999 %	2000 %	1999 %	2000 %	1999 %	2000 %	1999 %	2000 %
Metropolitan area	3	11	44	51	64	66	73	75
Other areas	2	6	32	47	60	67	68	71
Total	3	9	40	50	63	66	71	74

12.15 A recent telephone survey produced interesting figures for telephone and internet banking. It showed that:

- 68% of respondents indicated that they use or know how to use telephone banking but only 36% use it;
- 52% indicated that they use or know how the use internet banking but only 28% use it.¹⁶

12.16 Although different from the figures produced by the ABS, they show a marked difference between people saying they know how to use the technology and those actually using it.

12.17 Mr Malcolm Rodgers, Executive Director, Policy and Markets Regulation, ASIC, at a recent seminar on capital markets, observed that:

Of the many predictions that have failed, one of the best examples is that traditional banks are dinosaurs that the internet will drive into extinction. The reality is very different...the current wisdom is that the combination of internet delivery channel with focused bank branches ('clicks and mortar approach') will prevail, at least in the medium term. There is now increasing recognition that, as public trust is so crucial to banking, an established brand

15 Table compiled from two sources—Australian Bureau of Statistics, *Household Use of Information Technology*, Catalogue No. 8146.6, Canberra, June 2000, p. 18 and 8 May 2001, p.19.

16 *ANZ Survey of Adult Financial Literacy in Australia*, Stage 2: Telephone Survey Report, April 2003, Prepared by Roy Morgan Research, Melbourne, pp. 51, 68 and 74 and *ANZ Survey of Adult Financial Literacy in Australia*, Final Report, May 2003, prepared by Roy Morgan, Melbourne, p. 30.

name is important and many customers wish to be able to do some banking physically. It is the market incumbents that seem to have succeeded in making the most of the opportunities presented by the e-finance revolution.¹⁷

12.18 Even so, the rate in the number of people using the internet to conduct banking business continues to rise. In the 12 months to March 2002, the number of Internet bank users grew by 88 per cent to over five million. The biggest driver is the age group of 50+, which recorded a 113 per cent increase in registrations.¹⁸

Small business and electronic banking

12.19 Small businesses are becoming major users of Internet banking. According to the ABA, in the period from June 1998 to June 2000, Internet access by small business increased 105 per cent (from 28 to 57.5 per cent). Banking is the most popular on-line activity for Australian businesses, with 37 per cent of small businesses using the Internet to undertake a banking transaction of some kind.¹⁹

12.20 In country Australia, businesses are beginning to appreciate the benefits of using the internet. The Laverton Shire Council stated that 'quite a few local businesses now operate their businesses using electronic/telephone banking services'.²⁰ The Nauiyu Nambiyu Community Government Council noted that from a commercial aspect, modern on-line abilities have allowed Council banking transactions to continue without undue problems.²¹

Farmers and electronic banking

12.21 Internet use by Australian farmers is among the highest in the world. This usage is largely for business purposes, mainly in the area of information gathering. Other areas such as electronic commerce, Internet banking and education and training are poised to grow substantially.²² An Australian Bureau of Statistics Survey on 'Use of Internet Technology on Farms' revealed that in June 2000, 34 per cent of farmers were using the Internet, up from 18 per cent in March 1999.

17 Malcolm Rodgers, *E-finance: trends and regulatory responses*, Monetary Authority of Singapore Capital Markets Seminar, ASIC, May 2002, p. 4.

18 *Submission 117*, p. 4. See also Tim O'Leary, National Australia Bank, *Committee Hansard*, February 2003, p. 317.

19 *Submission 117*, p. 5.

20 *Submission 31*, p. 1.

21 *Submission 5*, p. 1.

22 Catherine O'Connor, 'How your town can use the Internet', The Regional Institute Ltd, First National Conference on the Future of Australia's Country Towns, p. 1 and 2 of 4.
<http://www.regional.org.au/au/countrytowns/ideas/oconnor.htm> (1 October 2002);
http://pandora.nla.gov.au/pan/13170/200010711/www.hreoc.gov.au/speeches/humanrights/hr_older_au_bush.html (29 October 2002,)

12.22 Evidence presented by a number of local councils adds to the general impression that farmers are taking advantage of the benefits offered by the new technology. The Lockhart Shire Council noted that there appears to be an increasing willingness in the farming community to embrace computer technology and to use the Internet for banking.²³ According to the ABA, this trend is not surprising as most farmers run 'efficient and professional businesses and are equipped with computers and other innovative information technology'.²⁴

Overall trend in the use of electronic banking in country Australia

12.23 The trend over recent years indicates that electronic banking has become an accepted mode of transacting banking business and will continue to grow in popularity. Despite the increasing number of people in country Australia adopting internet and telephone banking, especially farmers, the statistics show, as noted earlier, that people in regional Australia have not embraced electronic banking to the same extent as those in metropolitan areas. The following section examines some of the major barriers to access to electronic banking in regional, rural and remote Australia. In particular, it looks at a number of recent studies that have focused on the telecommunications industry in country Australia. It uses these studies to compare their findings against the evidence presented to this Committee.

Provision of telecommunications services in country Australia

12.24 The Regional Telecommunications Inquiry and submissions to that inquiry provide a rich source of information on the provision of telecommunication services to country Australia. The Committee draws on this material as a starting point for the report's discussion on various aspects of the telecommunication industry and the delivery of banking and financial services in regional, rural and remote Australia.

12.25 A number of submissions to the Regional Telecommunications Inquiry acknowledged the contribution that advances in telecommunications could make to improving the quality of life in the country. The Online Access Centre Association of Tasmania stated:

With the increasing trend to transact business online and access information and services online and the increased withdrawal of face-to-face services in local communities, access to the Internet is a vital part of life for rural and regional communities. The trend towards online delivery is accelerating and therefore access to the Internet will not merely be more important but essential for the survival of local communities.²⁵

23 *Submission 25*, p. 2.

24 *Submission 117*, p. 5.

25 The Online Access Centre Association of Tasmania submission to the Regional Telecommunications Inquiry.

12.26 Similar views were presented to this Committee in regard to banking services. Many submissions recognised the benefits that modern technology delivers. They understand that electronic banking is an important feature of the banking environment in 2003 and appreciate the need for country people to be beneficiaries of technological progress.²⁶ The Tamworth City Council noted that:

Advances in information technology have changed the traditional banking structure. Individuals in rural communities are becoming familiar with, and accepting of, operating outside the banking system which operated in the latter part of the 20th century.²⁷

12.27 Without doubt many benefits come with the use of electronic banking. Consumer behaviour and the enthusiasm with which people have adopted this method of banking stands as incontrovertible evidence of the popularity of electronic banking. The convenience, ease of access, and lower transaction costs attract more and more consumers. They now enjoy access outside normal banking hours and have no need to leave their home or place of business to obtain information and carry out transactions.

12.28 Not all Australians, however, are able to take advantage of the new technology and the technology itself has limitations in delivering banking services to regional, rural and remote Australia. The following section looks at the access that people in regional, rural and remote areas have to internet and telephone banking.

Overall accessibility to electronic banking

12.29 The NFF asserted that with the availability of technology and banking alternatives, there should be nothing preventing people in regional and remote Australia from having access to the same quality of service.²⁸ Indeed, an expression that has gained currency is that electronic banking overcomes the ‘Tyranny of Distance’.²⁹ As noted earlier, however, statistics show that non-metropolitan areas are lagging behind those in larger areas in the use of the internet and to a lesser extent telephone banking.

12.30 Numerous submissions have identified a range of obstacles that discourage the use of electronic banking.³⁰ The following section outlines the main issues raised in evidence about the difficulties experienced by people in country Australia in gaining access to electronic banking. It looks at:

26 *Submission* 109, p. 22.

27 *Submission* 93, p. 3.

28 *Committee Hansard*, 14 November 2002, p. 45.

29 See for example, Robert Parker and Franco Papandrea, *The Rural and Regional Guide to E-Commerce*, the Rural Industries Research and Development Corporation, Canberra, May 2002, p. xiii and Catherine O’Connor, ‘How your town can use the Internet’, First National Conference on the Future of Australia’s Country Towns, <http://www.regional.org.au/au/countrytowns/ideas/oconnor.htm> p. 1, (11 February 2003).

30 See Redland Shire Council, *Submission* 89, p. 2 and footnote 31 and 34 below.

- the adequacy of the existing telecommunications infrastructure—its availability, reliability and capability in delivering a satisfactory level of service;
- affordability of the new technology; and
- consumers' confidence in and ability to use the technology.³¹

Inadequate infrastructure

12.31 The growth and development of telephone and internet banking depends on its supporting infrastructure which includes the connection, repair and reliability of basic telephone services, coverage of affordable mobile phone services, and ready and reliable access to the Internet. Recent studies have shown that the key concerns about the delivery of telecommunication services relate more to rural and remote areas than regional centres.³²

12.32 While many submissions to the Regional Telecommunications Inquiry acknowledged the progress made in extending and improving the quality of telecommunications services in country Australia, they recognised that there is still much scope for improvement especially in the more remote areas.³³ The submissions mentioned the unreliability of the Internet service and cited very slow speeds for data retrieval and services often dropping out as a constant source of irritation for country users.³⁴ Overall, the Regional Telecommunications Inquiry found that:

31 For example, the Department of Agriculture, Fisheries and Forestry, recognised that critical limitations to the efficient uptake of new methods of service delivery include inadequate levels of infrastructure in some areas of non-urban Australia that affect the supply of technology-based services; attitudinal and cultural prejudices against change and an unwillingness to adopt new ways of conducting banking and financial service transactions. *Submission 105*, p. 17. The Goulburn Shire Council stated that electronic options are not always available or reliable. *Submission 41*, p. 1.

32 Department of Communications, Information Technology and the Arts, *Connecting regional Australia*; The Report of the Regional Telecommunications Inquiry, Canberra, November 2002, p. 1.

33 See for example the Western Division Group of the Shires Association of NSW which stated that 'communities have some way to go yet in remote areas to be comparable with metropolitan Australia' and the Warren-Blackwood Economic Alliance which stated succinctly: 'Any improvement of service has been partial which renders the rural and regional communities continuing to lag behind the cities re performance and quality of service'. See also the following submissions to the Regional Telecommunications Inquiry: the Northern Regional Development Board, the Online Access Centre Association of Tasmania, the Outback Areas Community Development Trust and the South West Development Commission.

34 See for example, the Local Government Association of Tasmania which submitted, 'Many businesses reliant on Internet services report very slow speeds for data retrieval and often services drop out altogether. Many farmers throughout the State are significant users of the Internet for their business operations. Indeed as a sector of industry, they are one of the highest users. However, reliability is cited as a constant frustration and while broadband services are not their key requirement 'broader' band offering greater reliability and speed certainly is'. The Local Government Association of Tasmania submission to the Regional Telecommunications Inquiry. The Western Australian Farmers Federation maintained that 'the timely installation,

- there are particular areas in rural Australia where improvements need to be made to network reliability;
- the Internet Assistance Program has benefited those who have accessed it, but it needs to be more widely promoted, and benefits should be guaranteed into the future for all Australians through a licence condition on Telstra;
- continuing Government support and action will be required to resolve fully some concerns, such as improving service levels in remote Indigenous communities;
- a number of further modifications to existing programs and arrangements are recommended, including in relation to ensuring the upgrade of radio concentrator systems in remote areas, and addressing the issue of poorly performing pair gain systems.³⁵

12.33 Although less technical in detail and focused on banking services, the submissions to this inquiry replicate much of the evidence before the Regional Telecommunications Inquiry.³⁶ They reinforced the message that although solid work has been done to telecommunication infrastructure to improve access to services, there remains much room for improvement.³⁷

12.34 Even though many witnesses could see the advances being made in technology they feared being left behind. Mr Francis, City of Ballarat, told the Committee:

It is no good having banking online if you do not have a usable phone line. If you talk to small rural councils like Yarriambiack in the north of the state, you will find that is the crisis they face. You talk about the information highway and they are on the information dirt road.³⁸

12.35 In conveying a general dissatisfaction with the quality of service, and consistent with the views put to the Regional Telecommunications Inquiry, submissions cited difficulties such as slow speeds and line drop outs. Rather than

repair and reliability of basic telephone services in regional, rural and remote Australia is still perceived to be below an acceptable standard by the people in these areas'. Moreover that 'reliable access to the Internet is just not happening'.

35 Department of Communications, Information Technology and the Arts, *Connecting regional Australia*; The report of the Regional Telecommunications Inquiry, Canberra, November 2002, p. 3.

36 See for example, Brian Goodfellow, Elders Rural Bank, *Committee Hansard*, 12 March 2003, p. 369. He identified line speed as a particular problem which he claimed was 'driven by the sheer geographical locations. If you look at Western Australia, in the south west, that is not necessarily an issue, but if you look into the far-reaching areas of the Northern Territory and Western Australia, reception availability does vary considerably.'

37 See the Swan Hill Rural City Council, *Submission 13*, p. 1. The Post Office Agents Association Ltd agreed that, 'There is yet to be universal access of sufficient quality to Internet services in rural and remote locations', *Submission 77*, p. 8.

38 *Committee Hansard*, 26 February 2003, p. 275.

recite the long list of matters raised in submissions, the following examples provide a fair representation of the complaints presented to the Committee. The Shire of Dandaragan was just one of many drawing attention to the need to improve internet access. It stated:

In many parts of rural Western Australia there are limitations on internet facilities, costs too high or problems with delivery.

Some banks also have limitations on what can be undertaken by telephone banking so if country people do not have a good internet access and their bank has limited telephone banking facilities they are disadvantaged.³⁹

12.36 The Corowa Shire Council also expressed frustration at the limitations imposed by the telecommunication system. It stated that ‘we see ever increasing use of electronic means to access banks and particularly in our rural areas there is a need to upgrade the speed of Internet access to banking’⁴⁰

12.37 To the same effect, the District Council of Grant, the Nanango Shire Council, the City of Ballarat, the District Council of Robe, the Victorian Farmers Federation, the Gunning Shire Council and the Gulin Gulin & Weemol Community Council Aboriginal Corporation submitted that telephone services and Internet services could be improved in their respective areas.⁴¹

Broadband

12.38 A major problem with meeting the challenge of providing country Australia with adequate access to modern technology is not simply a case of catching up with metropolitan areas but also of staying in touch with international developments.

12.39 The Summerland Credit Union Limited asked for the continued commitment from Telstra and the Federal Government to improve data transmission technology, allowing financial institutions greater flexibility and reliability when delivering electronic products.⁴² This observation carries greater weight when the speed of technological advances is considered. Continuing change means that to be at the forefront of such progress, Australia cannot relax its endeavours to keep pace with international developments. The roll out of the broadband market in Australia is the next major challenge.

12.40 Broadband provides data or Internet download at speeds significantly greater than that available from the standard PSTN telephone line connection. Broadband services are expected to produce significant efficiencies and economic and social

39 *Submission* 125, p. 1.

40 *Submission* 33, pp. 1, 2.

41 *Submission* 4, p. 1; *Submission* 10, p. 1; *Submission* 104, p. 6; *Submission* 56, p. 2 and *Submission* 8, p. 2.

42 *Submission* 116, p. 6.

benefits across the community. The Broadband Advisory Group described broadband as:

...the ability of a single access line or wireless or satellite link, connected to a telecommunications network, to provide support for fast, always-on access to digital content, applications and a range of services, some or all of which can occur simultaneously.⁴³

12.41 According to its findings, Australia was slow to start with this technology but is now beginning to embrace it. OECD research indicates that in December 2001 Australia was ranked 18th in broadband penetration out of 30 OECD countries.⁴⁴

12.42 In some regions Telstra lines, especially the copper variety, do not always lend themselves to the latest electronics technology. The Local Government of Tasmania told the Regional Telecommunications Inquiry that 'old and tired infrastructure proves unreliable and detrimentally effects data speeds'. The majority of Tasmania's rural areas are still served by the copper line system. It asked 'how do regional areas attract new e-businesses if the infrastructure does not equate with standards provided in urban areas?' The Wheatbelt Development Commission also noted that the poor capacity of copper lines running onto farming properties is a persistent issue within the Wheatbelt region.⁴⁵

12.43 The Committee notes that in December 2000, the Regional Australia Summit Steering Committee suggested that the Federal Government may wish 'to focus on the

43 Broadband Advisory Group, *Australia's Broadband Connectivity*, The Broadband Advisory Group's Report to Government, National Office for the Information Economy, Commonwealth of Australia, Canberra, 2003, p. 12.

44 Broadband Advisory Group, *Australia's Broadband Connectivity*, The Broadband Advisory Group's Report to Government, National Office for the Information Economy, Commonwealth of Australia, Canberra, 2003, p. 12. It cited data from the ACCC that shows there was 'a 162 per cent increase in broadband take-up in Australia between 31 July 2001 and 30 September 2002. Over the same period the number of business customers increased by 333 per cent (now 71,500) and the number of residential customers increased by 97 per cent (now 204,900). Significantly, there was a 23 per cent increase in take-up in the June to September 2002 quarter.'

45 Wheatbelt Development Commission submission to the Regional Telecommunications Inquiry. It stated: 'these old lines do not allow for 'normal' data speed with most being below 28.8kps (and possibly closer to 14.4kps). Most of these farms are outside the range of ADSL or ISDN and therefore the option being suggested to them by service providers is to use satellite technology. There is no doubt that this technology is available and allows high band wide for data community. However, the cost of satellite technology places its viability beyond the reach of most farmers that require greater bandwidth. There needs to be more options made available to farmers that are cost effective and deliver high bandwidth'. The Local Government of Tasmania expressed similar views. It stated: 'Telstra advertises the benefits of their national broadband services, however, it is only available to many of Tasmania's regional areas via satellite (ie residents/businesses must install their own satellite dish). Given the excessive costs associated with not only the set up in addition to the download costs, it is extremely doubtful that the local businesses or industries within these municipalities could effectively utilize the service.'

use of innovative solutions to overcome the limitations of the copper wire telephone network in a vast continent such as ours'.⁴⁶ It went further:

The telecommunication needs of all Australians in the 21st century will go well beyond the basic telephone service and the approaches to service delivery also need to reflect this complex environment.⁴⁷

12.44 The same concerns about access to new infrastructure were related to the Committee. The East Gippsland Shire Council noted that 'Broadband capabilities are generally not available and satellite services (both capital and operational) are expensive'.⁴⁸ The Winton Shire Council noted that telephone banking and Internet banking/shopping are growing at the expense of traditional banking but that remote communities such as theirs are the last recipient of technology advances. It went on to state that more importantly, 'many properties do not even have mains power supplies and therefore have not the same equity of access to technology advances'.⁴⁹

12.45 In summing up the general level of dissatisfaction with the telecommunications infrastructure to country Australia, the Shire of Chapman Valley made clear that electronic banking as it now stands is not an acceptable substitute for the traditional methods of banking. It submitted:

The distinct disadvantage that rural and remote areas of Australia have in regards to using internet and office banking services is the poor quality communications provided to these areas of Australia, therefore making such services a totally inefficient and ineffective method of banking and one which would never replace the branch banking facilities until such communication facilities are improved.⁵⁰

12.46 A number of submissions to recent inquiries gave particular attention to the question of equity in access to telecommunications services for country Australia.⁵¹ The Broadband Advisory Group recommended that Broadband should be available to all Australians at fair and reasonable prices. The NFF supported this view. It believed

46 *Regional Australia Summit: Final Report of the Regional Australia Summit Steering Committee*, December 2000, p. 23.

47 *Regional Australia Summit: Final Report of the Regional Australia Summit Steering Committee*, December 2000, p. 23.

48 *Submission 75*, p. 4.

49 *Submission 27*, p. 2. It noted further that a recent scheme had provided satellite Internet service at excellent subsidies to some properties with radio-telephony. This facility, however, was not made available across the board to everyone restricted by DRCS/HCRC radio telephone connections. It stated there is no way that people with this level of connection can have any sort of reasonable Internet connection for financial services. See also Mayor Strohfeld, *Committee Hansard*, 22 May 2003, p. 470; Mr Richard Brittain, *Committee Hansard*, 22 May 2003, p. 474.

50 *Submission 24*, p. 1.

51 See for example, the Local Government Association of South Australia submission to the Regional Telecommunications Inquiry.

that the ability to use Internet banking should be the same for somebody at Mount Isa as for somebody in Sydney.⁵² There is, however, a general recognition that some areas of Australia will not receive services through market forces.⁵³ The Broadband Advisory Group recommended that the Government identify areas that are unlikely to receive services on a commercial basis at fair and reasonable prices within an acceptable timeframe.⁵⁴

12.47 The Regional Telecommunications Inquiry noted:

The reality is that in telecommunications factors such as geographic isolation, the high cost of delivery in some areas, limitations of particular technologies and lack of commercial viability in some areas, mean that not all consumers across the country can expect access to exactly the same suite of services, at exactly the same price, and in exactly the same time frames.⁵⁵

12.48 It recognised the need to allocate funding to subsidise commercially unprofitable services and concluded that:

...funding responsibility should rest primarily with Government, rather than industry. It is appropriate for Government to directly fund its social and economic telecommunications policy objectives, as it does other policy priorities.⁵⁶

12.49 The Committee acknowledges that great advances have been made to improve communication infrastructure in rural and regional Australia but that more needs to be done. Further it recognises that there are areas particularly in remote Australia that present challenges for telecommunication service providers in providing adequate access to telecommunication infrastructure on a commercially viable basis.

12.50 The Committee accepts that areas difficult to service may need government intervention to ensure adequate and affordable access to telecommunication services. It is beyond the scope of this inquiry to suggest the nature and extent of this intervention but notes the findings of the Regional Telecommunications Inquiry. It agrees with the view that any such assistance should be targeted and nationally co-ordinated. The Committee, however, is firm in its view that the Government in considering the provision of telecommunication services to regional, rural and remote

52 *Committee Hansard*, 14 November 2002, p. 45.

53 Broadband Advisory Group, *Australia's Broadband Connectivity*, The Broadband Advisory Group's Report to Government, National Office for the Information Economy, Commonwealth of Australia Canberra, 2003, p. 23.

54 *ibid.*, p. 23.

55 Department of Communications, Information Technology and the Arts, *Connecting regional Australia*; The report of the Regional Telecommunications Inquiry, Canberra, November 2002, p. 30.

56 *ibid.*, pp. 249–50. The Inquiry recommended that the Government should provide funding for future service improvements in regional, rural and remote Australia, rather than imposing financial obligations on industry.

Australia keep foremost in its mind the crucial role that this service now has in delivering banking and financial services to people throughout country Australia.

Recommendation 15

The Committee recommends that any initiatives to develop or improve information technology and telecommunications infrastructure in regional, rural and remote Australia take account of the banking needs of those living in country Australia and are implemented to support and enhance the provision of such services.

Affordability

12.51 The extension and upgrading of infrastructure to remote areas is not, however, the only factor influencing accessibility—affordability is also an important consideration.⁵⁷ As mentioned by a number of participants to this inquiry, the cost of the service is also a disincentive for people to use broadband. The Macedon Ranges Shire Council asserted that in rural areas such as theirs ‘telecommunications infrastructure is of poor quality and often expensive and slow to access’.⁵⁸ The Hindmarsh Shire Council noted that in many areas the lack of affordable access to bandwidth, also frustrates attempts at ‘on line banking’.⁵⁹

12.52 The Victorian Farmers Federation maintained that many people in rural Victoria do not find internet banking a suitable alternative to over-the-counter services due not only to infrastructure difficulties but also the cost of long-distance calls and IT infrastructure such as computer equipment and installation of home satellite receivers.⁶⁰

12.53 Fees charged for an electronic banking transaction are lower than those for over-the-counter transactions (see Table 11.3). They do not act as an impediment for consumers rather they are an inducement to use this form of banking. Although the fees charged for an Internet transaction are low relative to charges for other means of transacting, the initial outlay and ongoing costs of maintaining the necessary apparatus

57 The Local Government Association of South Australia identified problems applying specifically to country areas that included: the lack of broadband availability—no small scale installation packages (ADSL); price and the lack of entry level product packaging; last mile infrastructure limitations; and a lack of incentive for the industry to develop broadband delivery solutions for low or non-profit situations. See the Local Government Association of South Australia submission to the Regional Telecommunications Inquiry and also submissions from the Local Government Association of Tasmania, Northern Regional Development Board; Online Access Centre Association of Tasmania; OutBack Areas Community Development Trust; South west Development Commission; The Warren-Blackwood Economic Alliance; the Western Australian Farmers Federation and the National Farmers Federation.

58 *Submission 54*, p. 2.

59 *Submission 87*, p. 2.

60 *Submission 104*, p. 6.

may effectively limit public access to such facilities for people who cannot afford their own equipment.

12.54 In other words, the costs involved in purchasing equipment and internet connection may prove to be a real obstacle for some people in regional, rural and remote Australia which frustrates their desire to bank 'on line'. A computer for home internet use still represents a significant outlay for many Australian households.⁶¹

12.55 A report by the Human Rights and Equal Opportunity Commission found:

A computer for home internet use would still be regarded as a very substantial investment by the great majority of Australian households and would be likely to remain financially out of reach for many. Some households are likely to reallocate expenditures to achieve internet access as the usefulness of this access expands and becomes more obvious, but this choice remains effectively unavailable to people on low and fixed incomes including many older people and people with disabilities, at least pending further development and deployment of a wider range of internet access technologies such as web phones and web TV.⁶²

12.56 Recent statistics produced by the ABS support this observation. They show that costs associated with Internet use figured prominently in the reasons for households not having home internet. Although there is little difference between metropolitan and non-metropolitan regions, around a quarter of households without home internet access cite high costs as a barrier to access.

61 The Catholic Women's League Tasmania submitted that the benefits of banking via the Internet 'will only service relatively few that enjoy access to personal computers and even this will be available at a cost'. *Submission 28*, p. 1. See also Human Rights and Equal Opportunity Commission, *Accessibility of electronic commerce and new service and information technologies for older Australians and people with a disability*, p. 3 of 17, http://www.hreoc.gov.au/disability_rights/inquiries/ecom/ecomrep.htm (31 March 2000).

62 Human Rights and Equal Opportunity Commission, *Accessibility of electronic commerce and new service and information technologies for older Australians and people with a disability*, 31 March 2000, p. 15 of 35, http://www.hreoc.gov.au/disability_rights/inquiries/ecom/ecomrep.htm (31 October 2002).

Table 12.5—Main Reasons for Households being without Home Internet Access—2002⁶³

	No. of households without home internet access	No use	Lack of interest in the internet	Costs too high	Access elsewhere
	'000	%	%	%	%
Region					
Metropolitan areas	2 383	17	24	25	9
Ex-Metropolitan areas	1 667	15	28	27	5
Total	4 051	16	25	26	7

Currently, those who cannot afford to purchase their own equipment also have limited public access to internet facilities.⁶⁴

12.57 The Committee accepts that a central component to improving access to basic financial services for Australians is ensuring that such services are affordable. In cases where banking options are restricted and some consumers cannot afford the initial expense for equipment, such as a computer, alternative arrangements should be implemented. The answer may well be in the provision of such equipment through other service providers such as the local library, an RTC or indeed the local council. Banks may well consider cooperating with local councils to supply and install such equipment.

Cash flow and cash management problems

12.58 While Internet and telephone banking provide a convenient means of paying bills and transferring funds, they do not provide a solution for people or businesses needing to deal in cash or cheques. Evidence presented in chapter 3 identified the difficulties experienced by small business when the local bank branch closes its doors. At the moment, electronic commerce does not address this problem of managing cash flow and cheques. The Shire of Woodanilling submitted that you cannot get cash from the Internet while the Catholic Women's League Australia observed that you cannot

63 ABS, *Household Use of Information Technology*, 2001-02, Catalogue No. 8146.0, Commonwealth of Australia, Canberra, 2003, p. 17.

64 See Human Rights and Equal Opportunity Commission, *Building bridges over the digital divide*, http://www.hreoc.gov.au/disability_rights/inquiries/ecom/bridges.htm (30 October 2002). See also the District Council of Robe which mentioned the cost of the Internet for people who do not want a computer and Internet access for work or pleasure (hardware and ongoing costs), *Submission 30*, p. 2.

deposit money or cheques over the phone or by the internet.⁶⁵ It argued that it is necessary to have options that will cater for these needs.⁶⁶

12.59 Moving and managing large sums of cash is a serious issue for business. The Carnarvon Chamber of Commerce pointed out that employing new technologies does not help a remotely based business deal with cheques and cash, both of which need to be physically transported to branches. It made the point:

For one hotel business in the area, banking requires a 900 km round trip on gravel roads, subject to wash outs after rain and no amount of technology short of a ‘teleporter’ is going to solve their problem. They currently send their cash and cheques to their bank with trusted clients.⁶⁷

12.60 To the same effect, the Guyra Shire Council noted that ‘most businesses deal in cash and cheques and thus rely on having facilities to deposit the day’s takings’. It asserted that if there are no banking facilities in the town, businesses have to travel greater distances to undertake their daily banking.⁶⁸ The Post Office Agents Association Ltd also noted that ‘there continues to be a need to have a physical channel to transact certain types of businesses, eg cash deposits and withdrawals, proof of identity, signature of documents, passbook accounts etc’.⁶⁹

12.61 These limitations on the range of services offered through internet and telephone banking continue to pose problems especially for those in remote districts. Access to cash and face-to-face services are important elements in providing financial services across the nation and telephone and internet banking are rarely a complete solution for those living in remote areas.⁷⁰

Establishing a relationship between customer and banker

12.62 Although the internet and telephone banking may put a customer in immediate contact with their bank, the nature of this contact is quite different from that established over the counter in a traditional branch. Indeed the use of call centres or the complex procedures in using the telephone to conduct a transaction or obtain advice can be a source of much irritation to the customer. The evidence presented in chapter 3 clearly showed the frustration experienced by customers who cannot converse with local staff about their banking business.

12.63 The sensible use of dedicated phone lines and designated account managers would go some way to help foster a better relationship between the customer and their bank. Clearly, the banks could give greater consideration to the more effective use of

65 *Submission 14*, p. 1.

66 *Submission 70*, p. 2.

67 *Submission 94*, p. 2.

68 *Submission 50*, p. 4.

69 *Submission 77*, p. 8.

70 See for example the views of CUSCAL, *Submission 109*, p. 13.

telephone and internet banking to improve their customer service in this area. The following chapter deals with using technology to enhance the relationship between customer and bank.

Conclusion

12.64 The Committee recognises that new technology offers enormous advantages for country people to conduct their banking business. Further, it has the potential to open up a range of other financial services to people in remote areas. The realisation of such benefits, however, depends on having access to stable, reliable and affordable telecommunications infrastructure capable of delivering a level of service that would enable all Australians to conduct their banking business efficiently and effectively. Until this can be provided to all Australians, access to the new services offered by the banks will be inequitable and country people in particular are destined to lose out.

12.65 Making suggestions regarding the quality and reliability of telecommunication infrastructure, including the cost associated with data lines and links to more remote communities is beyond the scope of this Inquiry. The Committee, however, stresses that any initiatives to enhance information technology and telecommunications infrastructure in rural, regional and remote Australia must consider the provision of financial services.

12.66 In turning to the matter of affordability of equipment, the Committee accepts that there are people in country Australia who cannot afford the outlay to purchase a computer and hence will have limited access to internet banking. The Committee believes that Government and banking industry assistance toward ensuring that communities have access to public phones and internet terminals is a first step toward enabling all Australians to access electronic banking.

12.67 The following chapter discusses some of the steps being taken by community groups in the country to make the new technology work to the advantage of people living in outlying areas.

