

27 September 2002

Dr Kathleen Dermody  
Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
Room SG.64  
Parliament House  
CANBERRA 2600



Dear Dr Dermody

**Inquiry into the level of banking and financial services in rural, regional and remote areas of Australia**

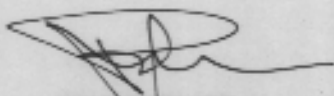
Thank you for your letter dated 8 August 2002 inviting the MAV to make a submission to the Committee.

As you may be aware, the MAV has made a submission previously to the House of Representatives Standing Committee on Financial Institutions and Public Administration's Inquiry into alternative means of providing banking in regional and remote Australia (1997). The findings of the inquiry culminated in the 1999 Report *Regional Banking Services - Money too far away*. For your reference, please find attached a copy of our previous submission.

Banking facilities are a cornerstone of rural and regional communities and any continuing decline in services will adversely impact these communities. Despite the introduction of Bendigo Bank and other similar community banking arrangements, we are still concerned with the reduction of services by major banks in rural and regional Australia.

We are requesting councils to forward their views on the level of banking and financial services in their communities and will provide you with a more detailed submission in the near future. If you have any questions about this, please do not hesitate to contact Troy Edwards, Senior Policy Adviser on (03) 9667 5539 or email: [tedwards@mav.asn.au](mailto:tedwards@mav.asn.au).

Yours sincerely



ROB SPENCE  
Chief Executive Officer

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19 December 1997

Mr Christopher Paterson  
Committee Secretary  
House of Representatives Standing Committee on Financial  
Institution and Public Administration  
Parliament House  
CANBERRA ACT 2600

Dear Mr Paterson,

**INQUIRY INTO ALTERNATIVE MEANS OF PROVIDING BANKING AND  
LIKE SERVICES IN REGIONAL AUSTRALIA**

The Municipal Association of Victoria has received a number of expressions of concern from member Councils about declining availability of banking services in small townships and the impact of those declining services upon the continued viability of such towns.

Notice of your Inquiry provided inadequate time to motivate responses from all councils but the following summarises those received.

On 3 June 1997 the **Cardinia Shire Council** (one of the fastest growing municipal districts in Victoria) expressed concern "at the spate of bank branch closures within some of the small towns in its municipal district. (It has an area of 12780 square kilometres in the urban growth area and a population exceeding 42,520). It indicated that Westpac closed its Bunyip branch in September 1993, the Commonwealth closed its Garfield branch in November 1993 and its Lang Lang branch early in 1997 and the ANZ Branches in Garfield and Lang Lang were downgraded to agency (three days per week) service in May 1997. The council now sees the three towns left with only one branch and potential for those in turn to also be affected in the future with residents forced to visit other areas for their banking, doing other business in those areas and the viability of existing in the 3 townships being placed under further stress. They see changes particularly impacting on elderly residents who may be less able to adapt to telephone banking, point of sale withdrawals and other innovations especially those elderly with mobility restrictions.

As a result of Cardinia's concern, we wrote to the Commonwealth, ANZ, Westpac and National Australia Banks recognising the trend but seeking advice on the role available to councils to assist in the retention of branches in population centres.

Sadly only two (Commonwealth and Westpac) bothered to respond (see attached copies).

Representatives of the Cardinia Shire also drew attention to the article "country towns bank on credit union growth" in the attachment.

The **Swan Hill Rural City Council** has a municipal district of 6100 sq kms and population of 21,300. The Community of one major township within their boundaries (Manangatang) have to travel 60 kms to the nearest bank branch and currently rely on the goodwill of local traders and businesses for credit and cashing of cheques. Otherwise they have become virtually a cashless society. Nyah West is 30kms north of Swan Hill. It has seen a recent closure of its Westpac Branch but still has a NAB branch (which is enjoying extra trade due to the closure) but leaves an attitude of uncertainty as to what the future may bring.

Naturally councils are concerned that the travel potential of those with mobility is leading to depression of local businesses and there is questioning of the resultant viability of those rural towns when local trade is transferred to larger towns with banking facilities.

The Council investigated two options, Credit Care and Bendigo Bank. Credit Care required substantial council support by way of premises, trade and investment of council and community funds. Consideration of Credit Care for Manangatang was abandoned when a local credit co-operative established a facility in Swan Hill. The Bendigo Bank is said to offer a franchise to the community for an amount understood to be \$200,000. It may have advantages of being owned and used by the community and, while it requires council support, it could provide advantages in:

- return of local security;
- providing a mechanism to focus community activity and interest;
- cash becoming available; and
- offering an option for other support services to be established/introduced.

They consider it would be ideal to see a strategy developed by Federal Government which would offer an alternative means of providing local cash and incentives to the community.

The **Hindmarsh Shire Council** (7570 sq kms 7230 population) is centred on Nhill. Apart from that town, banking services in the municipal district are minimal. Five years ago Dimboola had three banks, now it has one full time and one half time. Rainbow has only a part time branch and its Manager visits from Warracknabeal. The major issues addressed within the Hindmarsh Shire include:

1. Where the Manager is in another town and a decision is needed, people go to that other town and do their other business there creating a downward spiral in the local business community.
2. Cashing of cheques is an issue at three of the Municipality's towns;
3. There is a problem of what businesses do with their money out of bank hours (i.e. absence of facilities for after hours banking of takings).

The community of Nhill has financed a business feasibility study to consider the viability of using council Customer Service Centres at Dimboola, Jeparit and Rainbow to provide financial services through Council premises with the Bendigo Bank providing staff training. The major points initially would be a source for getting and depositing money with loan facilities being a secondary consideration.

The **Northern Grampians Shire Council** (5310 sq kms, 13320 population) is centred on Stawell. They see the potential for council taking on a bank agency role through their Customer Service Centres in various of their townships. Eftpos or ATM could be operated through these and a facility would be needed for after hours deposits of business takings. They also see a need for encouraging banks to do some lateral thinking to provide, in their downsizing strategies, some long term strategies for continuing to service people in small townships (e.g. continuing to use local post offices but using modern facilities and players).

**Hepburn Shire Council** (1470 sq kms, 13600 population) puts forward the following propositions:

1. The rationalisation of regional banking services by the larger financial institutions is of serious concern to smaller regional communities. The closure of services at Trentham (Voting population 865) caused serious community concern. The status of services at Clunes (population 2000) is of major concern due to its commercial sector requiring the support of bank users to minimise trade/retail leakage.
2. Banks are a vital part of the social and commercial fabric of regional communities. The lack of financial services can impede the development of small enterprises and impact on the elderly who are not comfortable with electronic services. A hole-in-the wall Eftpos or Internet is not a replacement for face to face services.
3. It would appear that the larger financial institutions base their rationalisation programs on the ability of branches to generate at least 10% growth. In light of the profitability of these institutions, it would not be unreasonable to expect some more appropriate response than "shut them down."
4. Regional Economic Development in smaller and remote communities will continue to decline with rationalisation of Health, Community and Financial Services. Local/Federal Governments need to take action to contain the loss of these services if regional development is to continue, particularly in agricultural/food processing/value adding activities.
5. Financial infrastructure in terms of physical requirements such as buildings, safes, security etc is readily available and reasonably purchased in rural communities at the present time. e.g. bank premises are sold but the residence was the main purchase motivation so counter area, safe etc are still available for use. Alternatively, in many cases, council properties have the capability of being partly used for banking purposes.

6. A proposal to form a co-operatives owned by the community or franchised by a financial institution on a profit-share basis could be suggested as an alternative to banking services owned by larger institutions.
7. *Community Co-operatives/franchise/profit share proposals should be investigated with funding provided through Government to advance the issue quickly before the infrastructure outlined in point 5 is lost - thereby increasing overheads/capital outlays required in rural communities.*

## Summary

While it is appreciated that this response is relatively minimal (for the reasons previously stated), it would appear that:

- **Banking Institutions have been afforded a privileged status in our community and should be required to provide at least a reasonable coverage of community requirements so that no branch should be closed without ensuring that there is put in place alternatives which provide for after hours depositing of money (within reasonable proximity), ready cashing facilities for cheques, cash withdrawal facilities with easy access.**
- **Utilisation of Post Office bank agencies should be expanded in number and types of services.**
- **Availability of shared use of or agency services at council facilities particularly community service centres should be explored.**
- **Where a branch is closed, the branches in the closest town should always provide for after hours deposits.**
- **Reduction of banking facilities in small regional centres has an adverse effect on local business and viability and ultimately on employment on those localities. It produces a destructive downward spiral which is rarely regenerated even though long term growth may be envisaged for the area.**
- **The growth of suitably geared credit unions/building societies which are prepared to complement banking services should be encouraged and expanded with whatever assistance is feasible from Federal, State and Local Governments.**
- **The issues raised in the attached article "Country towns bank on credit union growth" might be further explored and expanded.**

ROB SPENCE  
Chief Executive Officer

Encl.