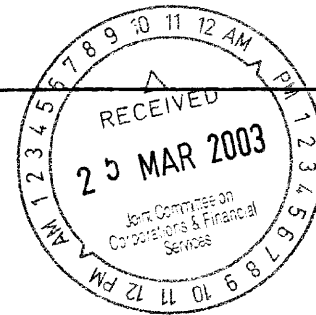


Sampson, James (Sen G. Chapman)

From: Jeffrey Pearson
Sent: Monday, 24 March 2003 8:35 AM
To: Chapman, Grant (Senator)
Subject: Rural Banking Services Enquiry



Dear Senator

I heard recently, notice on the ABC Breakfast Session, of your committees intended visit to Jamestown and made contact with your Adelaide Office to determine whether there was Committee intention to visit Eyre Peninsula.

This email is at the suggestion of your staff and I appreciate that it doesn't fit within the formal guidelines for your enquiry so it is for your interest and for you to do as you determine to be appropriate.

My reason for contacting you stems from an intense interest in matters rural and regional. I had the privilege of chairing the Eyre Peninsula Strategy Committee for the four years of its program in the region. I hold the position of vice-chair of the Eyre Regional Development Board but of greater relevance perhaps, a director of Cummins and District Financial services which owns a franchise to operate a Bendigo Bank Community Bank.

I understand that your Committee has had discussions with Bendigo Bank representatives and do hope that General Manager Rob Hunt was involved in that discussion because he has many challenging ideas for regional communities. It is difficult to know what information would be of greatest interest to your Committee and the following wide-lense sweep-shot can be expanded and detailed if that was to be of assistance.

The main message that I wished to convey to you was that I feel that the nature of your enquiry would demand that in your travels around regional Australia that you should deliberately visit an area that operates a community bank.

I believe that the decision taken by the three banks that previously operated in Cummins, to close their doors, has offered our community an opportunity that has never previously been available. We are retaining 50% of the profits generated from banking business transacted by members of our community, that will, in the near future, be made available to assist in the multitude of genuine financial demands in a typical rural community.

Our community initially raised \$485000 (485000 \$1 shares) to set up our branch and meet all of the requirements of Bendigo Bank, in the first instance, and the various compliance requirements for company and financial institutions. Our experience to date at Cummins after trading for some twenty four months (to the end of December 02) that we have achieved an aggregate business of \$39M which returned a 'round figure profit' of \$15000 for the month of December. We had to reach an aggregate business figure of approximately \$23M in order to 'break even' and our original feasibility study identified an aggregate business target in excess of \$45M. We are experiencing steady growth and the greatest constraint at this point is the time involved in writing new business. There is an obvious reluctance on the part of the major banks to transfer business but Bendigo Bank had alerted us to this probability.

As you would be well aware, rural community survival is all about people numbers. Service provision ultimately depends on people numbers. The exercise of establishing a community bank has been a significant part of a Cummins 'revival'.

As a direct result of establishing our bank we have two new families living in our district and because they are employees of Cummins and District Financial Services their allegiance is to this area rather than to some remote banking entity. Three other part time staff positions provide that second income for their families.

The 'atmosphere' in the bank is quite different from the 'norm' and our employees, all of whom had previous bank positions, have commented on the Bendigo Bank difference. Security of employment for our employees is directly related to the business that they help to generate.

Dramatic changes in communication have offered businesses, including banks, an opportunity to rationalise services, internet banking etc, but a point that is lost in all of that debate is that someone somewhere is employed to transact the business that our community would generate under that system and our argument is that that that person can live and work in our community. In point of fact, communication changes, in an uncomplicated assessment, offer great numbers of businesses new opportunities to regionalise their operations.

Rural South Australia has been slow by comparison with other States in the uptake of the community banking concept and we look forward to the day when there are at least seven community banks established in SA and that will trigger the appointment of a Bendigo Bank 'area manager' and in some way reduce the tyranny of distance between Cummins and Bendigo.

The experience in Cummins suggests that there are real rewards for communities that set out on a deliberate course of self-help. It is fact that some communities will not be able to raise the capital to establish their own bank but the Bendigo Bank community bank system has numerous examples of joint banking operations between small communities. Make no mistake, the 'parent' Bendigo Bank does very well out of the concept, and indeed so they should, because I believe that they have made a deliberate commitment to rural Australia.

I suggest to you and your committee members that there is a defined role for Government to promote and assist, throughout rural and regional Australia, if not the Bendigo Bank concept, at least the principle that is behind the concept.

Yours faithfully
 Jeff Pearson

24/03/2003